EAST INDIA (RAILWAY COMMITTEE, 1920-21).

Report of the Committee appointed by the Secretary of State for India to enquire into the administration and working of Indian Railways.

VOL. I.

REPORT.

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TERMS OF REFERENCE.

1. To consider, as regards railways owned by the State, the relative advantages, financial and administrative, in the special circumstances of India, of the following methods of management:—

(a) Direct State management;
(b) Management through a Company domiciled in England and with a Board sitting in London;
(c) Management through a Company domiciled in India and with a Board sitting in India;
(d) Management through a combination of (b) and (c);

and advise as to the policy to be adopted as and when the existing contracts with the several Railway Companies can be determined.

In considering the question of the East Indian Railway, the Committee will take note of the decision to remove the management of that railway to India, which was arrived at when the contract with the present Company was extended on the amended terms in 1919.

2. To examine the functions, status and constitution of the Railway Board, and the system of control exercised by the Government of India over the Railway Administration, and recommend such modifications, if any, as are necessary for the adequate disposal of the railway business of Government.

3. To consider arrangements for the financing of railways in India, and in particular the feasibility of the greater utilisation of private enterprise and capital in the construction of new lines.

4. To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders are satisfactory, and, if not, to advise what modifications are desirable.

5. To make recommendations that may seem germane to the enquiry.

ESTIMATED COST OF THE COMMITTEE.

	£
(1) Honoraria, salaries and subsistence allowances - -	22,658
(2) Travelling, wages and contingencies - - -	7,262
(3) Printing - - - - - - -	2,259
Total - - - -	£ 32,179

INDIAN RAILWAY COMMITTEE, 1920-21.

VOL. I.—REPORT.

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[1] Not published.

INDIAN RAILWAY COMMITTEE, 1920-21.

CHAPTER I.

INTRODUCTORY.

The appointment of the Indian Railway Committee was announced by the Secretary of State in Parliament on the 1st November 1920. It comprises the following members :— Constitution of Committee.

SIR WILLIAM M. ACWORTH, Barrister-at-Law :
Member of the Royal Commission on Canadian Railways, 1916, and of other bodies of enquiry concerned with railways. (*Chairman.*)

SIR HENRY P. BURT, K.C.I.E., C.B.E. :
President of the Indian Railway Board, 1914-15; Government Director of Indian Railway Companies, India Office, 1915-19; Chairman of the Bengal and North-Western, and Rohilkund and Kumaon Railway Companies.

SIR RAJENDRA NATH MOOKERJEE, K.C.I.E., of Calcutta.

SIR ARTHUR R. ANDERSON, C.I.E., C.B.E. :
President of the Indian Railway Board, 1919-20.

SIR GEORGE C. GODFREY :
Agent, Bengal-Nagpur Railway Company.

THE HONOURABLE MR. V. S. SRINIVASA SASTRI :
Member of the Council of State.

MR. E. H. HILEY, C.B.E. :
Formerly of the Great Northern and North-Eastern Railways, and later General Manager of the New Zealand Government Railways.

SIR HENRY LEDGARD, of Cawnpore :
As representing European commercial interests in India.

MR. PURSHOTAMDAS THAKURDAS, C.I.E., M.B.E., M.L.C., of Bombay :
As representing Indian commercial interests.

MR. JAMES TUKE :
Director of Barclays Bank, Ltd., and of The British Linen Bank.

2. The appointment of this Committee was the outcome of discussions originating in the question of the action to be taken in connection with the East Indian Railway, a State-owned railway managed by the East Indian Railway Company under a working contract, terminable in December 1919, with the Secretary of State. In the course of these discussions a good deal of attention was devoted to the respective merits and defects of various possible systems of management. As a temporary measure the East Indian Railway Company's contract was extended to the end of 1924, and it was decided that the general questions arising out of the discussion of that case should be referred to a representative Committee for consideration. The following are the terms of reference accordingly decided upon :— Origin of Committee.

(1) To consider, as regards railways owned by the State, the relative advantages, financial and administrative, in the special circumstances of India, of the following methods of management :— Terms of Reference.

(*a*) direct State management ;
(*b*) management through a Company domiciled in England and with a Board sitting in London ;
(*c*) management through a Company domiciled in India and with a Board sitting in India.
(*d*) management through a combination of (*b*) and (*c*) ;

and advise as to the policy to be adopted as and when the existing contracts with the several railway companies can be determined. (In considering the question of the East Indian Railway, the Committee will take note of the decision to remove the management of that railway to India, which was arrived at when the contract with the present Company was extended on the amended terms in 1919.)

(2) To examine the functions, status, and constitution of the Railway Board, and the system of control exercised by the Government of India over the railway administration, and to recommend such modifications, if any, as are necessary for the adequate disposal of the railway business of the Government.

(3) To consider arrangements for the financing of railways in India, and in particular the feasibility of the greater utilisation of private enterprise and capital in the construction of new lines.

(4) To report whether the present system of control by Government of rates and fares and the machinery for deciding disputes between railways and traders are satisfactory, and, if not, to advise what modifications are desirable.

(5) To make recommendations that may seem germane to the enquiry.

3. By a letter dated the 11th November 1920 from the India Office the Committee were authorised to read the first line of the reference as "To consider, more especially as regards the railways owned by the State, ..."; and to understand the phrase "the Government of India" in its widest meaning and not in the technical sense of the Governor-General in Council.

4. It will be observed that of the Members of the Committee three are English, with no previous knowledge of India, three represent life-long experience on Indian railways, three represent Indian opinion, while the tenth Member is a representative of the European commercial community in India.

Proceedings of Committee

5. Five of the Members, including the Chairman, were in England at the time the Committee was appointed, and they proceeded at once to take preliminary and informal evidence from officials of the India Office and the London representatives of the Guaranteed Railway Companies. This evidence was printed and taken out to India for the information of the remaining Members of the Committee. It was subsequently accepted as part of the proceedings of the Committee, and now constitutes the first part of the evidence (Volume II.).

6. The Members who were in England sailed from Marseilles on the 27th November, and proceeded direct from Bombay to Calcutta, where the first formal meeting of the Committee was held on the 17th December. The Committee was, however, short of one of its Members, for Mr. Beadel, who had been originally appointed as representative of the European commercial community, found himself unable to serve, and Mr. White, who was nominated to succeed him, was taken seriously ill the day before the Committee sat. It was not until the 3rd day of January that the vacancy was filled by the appointment of Sir Henry Ledgard.

7. The Committee sat in India for 50 days and examined 142 witnesses. Of these, 48 were railwaymen and 19 Government officials. Of the non-official witnesses, 45 were Indians and 30 were Europeans. Most of the witnesses who were orally examined also submitted written statements. Numerous other statements were received from persons not called as witnesses. The volume of written matter thus placed at the Committee's disposal was so great that it has proved necessary to exclude a portion of it from the printed records of evidence. The excluded matter, however, was for the most part merely corroborative of evidence already fully recorded by the Committee, or otherwise of minor importance. It should be mentioned that before the Committee assembled in India the Government of India decided to publish a questionnaire with the object of drawing attention to some of the principal points arising from the terms of reference, and of obtaining for the Committee's use considered expressions of opinion on these from interested persons. An unforeseen result was that a large percentage of the written statements received were confined exclusively to the particular issues thus given prominence. Too many of the writers also considered themselves bound to attempt to answer all the questions, although a note in the questionnaire pointed out that this was unnecessary. To facilitate an understanding of the replies, a copy of the questionnaire has been prefixed to each of the volumes of the evidence taken in India (Volumes III. and IV.).

8. The Committee left Calcutta on the 14th January, and visited Madras, Bombay, Lucknow, Cawnpore, Lahore and Delhi. It was their intention to visit also Nagpur, the seat of Government of the Central Provinces, and Karachi; but lack of time compelled them to abandon this intention. Witnesses, however, from both these places appeared and were examined at Delhi.

9. The Committee reassembled in London on the 4th May, and received further evidence from the London Companies, from officials of the India Office, and others, before proceeding to consider their Report.

10. Throughout their proceedings the Committee received every assistance from the officials of the Government. both in England and in India, and of the railways. To these, as well as to the numerous representatives of non-official bodies, and private persons who devoted much valuable time to the preparation of written statements and submission of evidence, their best thanks are due.

11. After the close of the sittings in Delhi, the Finance Department forwarded to the Committee the following communication :— Interim reference from Government.

(Extract paras. 2 and 3 from a letter from the Bengal Chamber of Commerce to the Secretary to the Government of India, Finance Department, No. 636–1921, dated the 11th March 1921.)

"The Committee of the Bengal Chamber of Commerce have observed, from the speech of the Honourable the Finance Member when introducing the budget, that no larger provision than Rs. 15 crores can be made in respect of the railway capital programme for the year 1921–22.

"(2) This severe curtailment of capital expenditure on the Indian railway system has been received with deep regret by the Chamber. At the same time, the existing financial situation of the Government of India is not overlooked, and the very serious difficulties in the way of providing funds on a large scale are fully understood. The Honourable Member mentioned the Railway Committee, and expressed the willingness of the Government to consider any recommendation that that body may submit with the object of raising additional railway capital. In this connection I am to invite the urgent attention of the Government to the following suggestion which was made by the late President of this Chamber, Sir Alexander Murray, at the annual general meeting on the 25th February 1921 :—

"'It will be next month,' Sir Alexander Murray said, 'before this (the railway) Committee finish touring India, and after that they propose visiting England in order to hear further evidence. It will, therefore, be months yet before we can expect to receive the Committee's report, far less see any action taken on it. I am no pessimist, but I feel justified in warning the Government of India that this problem of railway transportation requires immediate attention, and I would respectfully suggest that they should call upon Sir William Acworth's Committee for an *ad interim* report on which action should be taken at once. Everybody knows that the main question is one of funds. Money must be found and spent on the railways, no matter whether we are to have direct State management, or management by boards sitting in London or in India. We can wait for the Committee's views on this latter part of the reference to them, but with new industries springing up and new coal areas waiting to be developed, it is absolutely necessary that the earliest possible steps should be taken to put the railways in a better position to deal with the traffic of the country.'

"(3) The railway position is so grave, and the need for very large capital expenditure is so urgent, that the Chamber has no hesitation in strongly supporting Sir Alexander Murray's suggestion. It may be that the Railway Committee is already in a position to make recommendations, and, even if these could not be brought into operation immediately, their consideration now would greatly expedite their adoption. And there is a precedent for the course proposed by Sir Alexander Murray, inasmuch as the Indian Railway Committee of 1908 presented an interim report some considerable time before the issue of its final report. The same procedure should, and the Chamber trusts will, be followed by the present Railway Committee."

12. The Committee at once met and unanimously passed the following resolution :—

"The Railway Committee, while fully agreeing with the Bengal Chamber of Commerce as to the urgent need of the provision of additional capital on a large scale, feel that the duty imposed upon them by the Secretary of State is to report, not upon a temporary but upon a permanent financial policy. This they are not in a position to do till they have completed their enquiry in London. They, therefore, feel that it would be beyond their province to encroach upon the responsibility of the Finance Member and the Government of India for any emergency measures which may be required to deal with the present critical situation." Committee's reply.

13. We have set out this communication and our reply to it in full at this early stage in our Report, not only because it is part of the record of our proceedings, but also because we think it desirable to emphasise the position we then assumed. Our duty, as we understand it, is to report "not upon a temporary but upon a permanent financial policy." It has been urged upon us more than once, and not by the Bengal Chamber of Commerce only, that the question we have to deal with is mainly, some have said wholly, "how is money to be raised?" In our view, the answer to this question involves our whole reference. That the system, not only financial, but administrative, as it at present exists has resulted in grave failure to raise the necessary funds is not disputed. Any recommendation, therefore, which we may make as to raising money in future involves full consideration of the methods of the past and discussion of the reasons why they failed to produce the desired result, and what changes are necessary to secure a different result in the future. That result we take to be not merely the raising of a certain number of million pounds to meet the present emergency, but the constitution of a system which will secure orderly and continuous progress in the development of the Indian railway system in the future as far as it can at present be foreseen.

Outline of Committee's Report.

14. The reference to the Committee may be summarised under five main heads :—

(A) Management, whether directly by the State or by Companies in England or in India.

(B) The constitution, status and functions of the Government organ of administrative control.

(C) Finance and financial control.

(D) The relations between the railways and their customers.

(E) Miscellaneous cognate questions.

15. The Report which we now have the honour to present contains the unanimous answer of the Committee on the majority of these subjects.

16. On Question A (management) we are unable wholly to agree. We are unanimous in thinking that Indian railways should be managed not from London but in India, and in recommending that the existing contracts with the English Guaranteed Companies should be permitted to expire at their respective dates and should not be renewed. But on the question of the method of management in India the Committee are divided. Some of us consider that the undertakings should be transferred to the direct management of the State, while others consider that some at least of the undertakings should be entrusted to the management of Companies domiciled in India.

17. On Question B (the constitution, status and functions of the Government organ of administrative control) the Committee are unanimous.

18. On Question C (finance and financial control) the Committee are unanimous, except in so far as the answer to this question depends on the answer to Question A. We unanimously recommend a complete revision of the present financial methods and the separation of the railway budget from the general budget of the State. We are also in general agreement as to the methods which should be adopted by the Government for raising new capital. Additional methods of raising capital are also recommended by those members who are in favour of the retention of private management through companies domiciled in India.

19. On Questions D (the relations between the railways and their customers) and E (miscellaneous cognate questions) the Committee are unanimous.

20. We therefore think that the most convenient course will be to forsake the order of subjects in our reference, and to deal first with the matters on which the Committee are agreed, postponing to a later stage matters on which our recommendations diverge.

21. We accordingly submit our Report under the following heads :—

Chapter II.—Present situation of the Indian railways.

Chapter III.—Finance and financial control.

Chapter IV.—The constitution, status and functions of the controlling authority.

Chapter V.—The relations between the railways and their customers.

Chapter VI.—Miscellaneous cognate questions.

Chapter VII.—Management, whether directly by the State or by companies; and the methods of raising additional capital.

Chapter VIII.—Summary of recommendations, and Conclusion.

CHAPTER II.

Present Situation of the Indian Railways.

22. According to the Administration Report on Railways there were in India, at the 31st March 1920, 36,735 route miles of railway. These may be divided into five classes :— Classification of Railways

(I) State lines worked by the State.

(II) State lines worked by (*a*) Guaranteed, and (*b*) Independent Companies.

(III) Company lines worked by Companies.

(IV) Lines belonging to Indian States.

(V) Miscellaneous.

23. Class I (State lines worked by the State, 7,369 miles) and Class II (*a*) (State lines worked by Guaranteed Companies, 17,768 miles) between them comprise more than two-thirds in mileage of the total 36,735 miles of railway in the country, and very much more than two-thirds in importance. At a later stage we shall refer specifically to the case of the less important systems, but the Committee have devoted their attention chiefly to the case of the main railway system, and it is to this that the evidence taken by them principally relates. Except therefore so far as the contrary may be clearly indicated it should be understood that the recommendations made refer only to classes I and II (*a*).

24. It has been mentioned that the present enquiry was the direct outcome of the consideration of the case of the East Indian Railway necessitated by the approaching termination—in December 1919 -of the contract; but it is clear that in any case the time had arrived for a general examination of the whole Indian railway situation.

25. For years past, even long before the war, public opinion in India has constantly complained of the entire inadequacy of the Indian railway system to meet the needs of the country. It has been expressed not only in the newspapers but by Chambers of Commerce and in discussions in the Legislative Council at Delhi. The evidence given before us in all parts of the country and on behalf of all sections of the community was overwhelmingly strong as to the urgent need of drastic measures of reform and reconstruction of the entire railway machine. We do not think that any general statement would be sufficient to enable non-Indian readers adequately to appreciate what the real situation is. We therefore summarize extracts from the mass of evidence we have received, showing that the failure to meet the needs of the country is not temporary and not confined to certain places or to certain periods, but universal and permanent. Evidence as to present situation.

EVIDENCE TAKEN AT CALCUTTA.

Mr. Innes, Secretary to Government of India, Department of Commerce. (Vol. V. paras. 3867 and 3873.) Calcutta Evidence.

There is a large demand for Indian coal for export, but in the absence of adequate transport facilities for meeting it India is missing an exceptional opportunity of establishing itself in the foreign markets where its coal is in great demand. If adequate railway facilities were provided the production of coal could be increased.

Mr. Church, Mining Engineer to Railway Board. (Vol. III., paras. 3902 and 3903; and Vol. V., para. 3910.)

There is a rapidly increasing demand for Indian coal, and output could keep pace with it, but is blocked by the limitations of the railway capacity. The railway difficulty in carrying coal is due to a general incapacity to handle the traffic.

Shortage of facilities is manifest at junctions where coal is taken over from the East Indian Railway and Bengal-Nagpur Railway, *e.g.*, at Jubbulpore, where the Great Indian Peninsula Railway takes over trains and has to break them up.

Mr. Legge, Coal Transportation Officer (Coal Controller). (Vol. III., paras. 3914 and 3915).

The supply of wagons for coal traffic has long been inadequate. It is necessary to retain for some time to come the post of Coal Controller, an official who, owing to the shortage of facilities, has to apportion the available wagons under a priority classification.

Mr. Bell, Member of the Railway Board. (Vol. V., para. 3969.)

The capital provided is not sufficient. All the funds likely to be provided by Government for the next few years might be easily absorbed in meeting a single demand (provision of adequate facilities for coal transport).

MR. CARR, ACTING AGENT, AND OTHER REPRESENTATIVES OF THE BENGAL-NAGPUR RAILWAY. (Vol. III., paras. 4051 and 4061.)

Boilers and permanent way materials, which should have been replaced, are kept in service, leading to undue expense in frequent repairs.

The growing trade of India and development of the iron and steel industry is hampered by lack of railway facilities and new lines; 1,100 wagons a day would ultimately be required to meet the total requirements of existing and new works at Jamshedpur and Kulti, as against the present demand of about 350.

MR. HINDLEY, AGENT, EAST INDIAN RAILWAY. (Vol. III., paras. 4138, 4161, 4162, 4165, 4166, 4167, 4185, 4308, and 4323; and Vol. IV., pages 79 *et seq.*)

Overcrowding is the principal source of all difficulties and inconvenience to passengers, which the railways would gladly remedy but for inadequacy of funds. To put on an extra passenger train, the goods service would have to be reduced.

Owing to budget restrictions, the Railway Board had to eliminate from the programme some extremely urgent works, such as the doubling of the Grand Chord, and had definitely instructed the Agent that owing to the shortage of funds new works must be restricted to those required for providing increased traffic facilities, &c.

It is impossible to estimate the loss to trade which would be brought about by the delay in providing essential facilities and the persistent failure to keep the capacity of the lines up to the demands for transportation. The position is already so bad that at times the railway has to restrict or even entirely to close down the acceptance of goods traffic. Only one half of the demand for wagons for merchandise can be met. For the past 26 years there has always been an inability to provide transportation to the extent demanded, and the position is getting worse day by day.

At times when the demands for coal reach their maximum the capacity available for ordinary goods is considerably less than is required—large quantities of merchandise offered for transportation have frequently to be refused. Improved facilities are necessary, not only on the East Indian Railway, but especially on the adjoining lines and junctions.

In one case the European oil seed market was lost definitely owing to lack of railway transport.

That the railway would "muddle through" in the current year as it had in the past was the only hope.

Small stations in the vicinity of the larger centres are closed in order to obtain relief by forcing short lead traffic to the road.

Running of work and van goods trains (station to station pick up goods trains) is suspended when necessary to limit the traffic to the present capacity of the sections.

Bookings of merchandise traffic in the upward direction is restricted even when stock is available in order to leave room for coal traffic.

MR. OSWALD MARTIN, OF MESSRS. MARTIN & CO., CALCUTTA. (Vol. III., para. 4174.)

The sum and substance of the present problem is want of money.

MR. GODFREY, OF MESSRS. MCLEOD & CO., CALCUTTA. (Vol. III., para. 4247.)

Cases are known of country carts carrying, in addition to what the railway carries, jute to Calcutta from distances of 70 or 80 miles.

MR. PATTINSON, CHAIRMAN, INDIAN MINING ASSOCIATION. (Vol. III., paras. 4412, 4413, 4416, 4421, 4422, and 4423.)

Owing to transport difficulties and delays, entirely due to inadequate finance, the coal trade has suffered for years.

The transport difficulty has been constant from about 1905, when the coal output reached 8,000,000 tons in the year. At the present time there are about 10,000,000 tons of exportable coal available at the coalfields per annum, and allowing for the interim increase of transport facilities, the coal trade is handicapped about to the same degree as in 1905, but, of course, on a much larger scale.

Owing to want of transport facilities coal raisings have frequently had to be curtailed.

Many instances of collieries being fully equipped, but unable to despatch coal for want of sidings and with no hope of getting these within the next year or so. One siding had been applied for in April 1918, but was not sanctioned until 1920. This siding, about 17 miles long, will serve a number of collieries; construction will take about a year, but difficulty exists in getting rails moved from Delhi; meanwhile, Rs. 30,00,000 of the coal company's capital is lying idle waiting completion of the siding.

The Rana Colliery is waiting to despatch coal; a siding about a mile long was asked for in 1914, but although sanctioned the work has not yet been begun.

The Chapui and Ghalbalpur sidings, applied for in March 1919, have not been sanctioned. Coal is being carted across a river ford, but the output is restricted to a nominal figure for want of facilities.

MR. WALSH, SECRETARY TO THE GOVERNMENT OF BENGAL, PUBLIC WORKS DEPARTMENT. (Vol. III., para. 4474.)

The Government of Bengal lays stress upon the deficiency of transport facilities. Being affected by the carriage of coal and building materials, they found the construction of public works greatly hindered and only done at excessive cost.

MR. BAXTER, REPRESENTING THE NARAYANGANJ CHAMBER OF COMMERCE. (Vol. III., para. 4505.)

There was recently an acute scarcity of wagons for conveying coal for the use of jute-baling firms.

MESSRS. MARSHALL, DODS, FAIRHURST, BURY AND MARTIN. (Vol. III., pages 61 to 68.)

These gentlemen appeared as representatives of some of the principal firms engaged in the metallurgical industries of India. These are the industries established and under development in an area served by the Bengal-Nagpur Railway to the south-west of Calcutta; they include the important iron, steel and copper works, together with numerous associated enterprises specialising in such products as refined zinc and sulphuric acid, jute mill machinery, wire and pressed metal articles, concrete reinforcing material, enamelled hollow ware, electric cables, tinplate, &c.

The outstanding importance of the interests represented and the magnitude of their probable development within the immediate future may be gauged from the following particulars which were placed before the Committee :—

Name of Firm.	Present Annual Freight Movement.		Estimated Freight Movement in 1926.	
	Tons.	Ton Miles.	Tons.	Ton Miles.
Tata Iron and Steel Company (Jamshedpur).	1,760,700	257,316,000	4,137,700	651,665,000
Bengal Iron Company (Kulti)	433,500	89,080,000	887,000	182,160,000
Indian Iron and Steel Company (Burnpore).	—	—	2,278,000	316,730,000
Eastern Iron Company (Chandal)	—	—	7,372,000	987,200,000
Cape Copper Company	57,500	5,780,000	115,000	11,560,000
Subsidiary companies	—	—	389,400	50,895,000
Totals	2,251,700	352,176,000	15,179,100	2,200,210,000

The approximate investments, labour and pay roll of the above-mentioned companies, their position in 1920, and their estimated position in 1926 were stated as follows :—

——	Investment.	Labour employed.	Annual Pay Roll.
	Rs.		Rs.
Existing	10,00,00,000	47,500	2,00,00,000
1926 (*estimated*)	44,40,00,000	125,000	6,00,00,000

In support of the strikingly high estimate of future expansion Mr. Marshall explained that, of the 15 million tons estimated, 8 millions are practically assured by construction already being carried out with funds that have been provided, while finance has been arranged for a large part of the 7 millions balance. Even making an allowance for uncertainties it was held that the estimate might safely be relied upon to the extent at least of 11 or even 12 million tons.

The evidence showed clearly that the existing railway facilities are entirely inadequate to cope with even the present traffic. There is a serious shortage both of wagons and locomotives for transport of coal and other raw materials as well as of the finished products; and of facilities for moving the wagons which are available. During the good coal mining season the wagon supply is usually so inadequate that the full supply cannot be shipped to the works. It was mentioned in particular that the Tata Iron and Steel Company had probably lost from 3 to 5 per cent. of production during the year 1920 because of the shortage of wagons and of congestion on the railway, a percentage which would be increased when new extensions are put into operation. It was pointed out that if the consequent pecuniary loss were to amount only to 1½ or 2½ per cent. the sum involved would still be very large.[1]

[1] In this connection may be read the following extract from the report of the Tata Iron and Steel Company, Ltd., for the year ending 31st March 1921 :—

"We are now, however, faced with the very serious position regarding the railway transport to which the attention of the Indian public has been drawn in the last few months by the evidence given before the Railway Committee. We have repeatedly pressed this upon the attention of the railways and Government, and although the Bengal-Nagpur Railway has made certain additions to its equipment and has done all it can to help in this direction, the additions are not adequate to handle the traffic which we shall require when the extensions are in full operation. The directors have considered, and are considering, the effect of this restricted development upon the progress of the greater extensions, and will retard these if it appears likely that the railways will not be able to handle the raw materials and finished products, as it would be no advantage to the Steel Company to erect plant that would stand idle for want of railway facilities. But they are pressing, and will continue to press, that the development of the lines serving the works should coincide with our expansion, and we have recently offered to arrange for a loan of four crores of rupees to the Bengal-Nagpur Railway in order to ensure this."

The witnesses, who had prepared their report in consultation with the Bengal-Nagpur Railway officials, calculated that to meet the requirements of the case it would be necessary to double-track 133 miles of the Bengal-Nagpur Railway, while to the existing rolling-stock of all the railways serving the industries in question an addition is necessary of about 13,000 four-wheeled vehicles (or half the number if bogie wagons), and of 322 engines, to meet the anticipated developments of traffic during the next five years. Some 75 per cent. of the increase in rolling-stock would have to be made on the Bengal-Nagpur Railway system.

The evidence was referred to Sir George Godfrey, as Agent of the Bengal-Nagpur Railway, who furnished the Committee in reply with particulars generally bearing out these conclusions, and giving details of the Bengal-Nagpur Railway programme, which provides for completing the line facilities in four years, and explained that the extra locomotives and wagons already under supply out of the existing grants together with the numbers included in the four-year programme practically equalise with the foregoing estimate.

At a late stage of the Committee's deliberations a communication was received on the same subject from Messrs. Bird & Co., in connection with the traffic which they estimated would have to be handled by the Bengal-Nagpur Railway for the purposes of the United Steel Corporation of Asia, Limited, which is to be undertaken by that firm in conjunction with Messrs. Cammell, Laird & Co. Details of the estimated traffic, in three stages of development, were given, working up to the following figures :—

Stage.	Ton Mileage.	Estimated additional Rolling-stock required.	
		Wagons. (4 wheel units.)	Locomotives.
1st - - -	70,838,000	492	9
2nd - - -	592,365,000	4,113	74
3rd - - -	1,112,132,000	7,723	139

The Bengal-Nagpur Railway are in possession of these figures, and it is understood that they will be able to deal with the traffic of the first stage with their four-year programme, but an essential subsequent requirement will be a new outlet for Bengal-Nagpur Railway coal traffic from the coalfields by a new line *viâ* Karanpura to a point on their main line near Manharpur, in the neighbourhood of which the new works are likely to be situated.

* Mr. Nolan, Acting Agent, Assam-Bengal Railway. (Vol. III., paras. 4555 and 4569.)

The Assam-Bengal Railway has been starved. During the 25 years it has been open it has only been able to construct 90 miles of extensions from money provided by the Government.

The Capital July Forecast of requirements for 1921–22 was Rs. 79·63 lakhs ; 64·80 lakhs was provisionally sanctioned, but in December cut down to Rs. 15 lakhs, which had been increased to Rs. 25 lakhs on pointing out that his home commitments already amounted to Rs. 28 lakhs. Home indents and certain contracts have had to be cancelled and Rs. 43·19 lakhs worth of material will lie in stock in default of an allotment of Rs. 8·33 lakhs for cost of erection in India.

Mr. Peat, Chairman, Indian Jute Mill Association. (Vol. III., paras. 4596 and 4598.)

Because of lack of railway facilities for the carriage of coal seven large jute mills, employing 40,000 workers, had completely stopped on the 14th January 1921.

There was also a deficiency of wagons for bringing down the jute. Frequently no wagons at all were available at despatching points in the northern jute districts.

Mr. Watson Smyth, Vice-President, Bengal Chamber of Commerce. (Vol. III., paras. 4602, 4603, 4605, 4609, 4612 and 4643.)

For many years the imperative necessity for a more liberal allotment of funds had been urged. In 1908 representations were made regarding the insufficiency of allotments and grave complaints of inadequacy of facilities for the carriage of coal to Calcutta, and the scarcity of rolling-stock since 1894. The general situation is now worse than in 1908, seven important jute mills being actually closed and the position showing every sign of becoming worse.

Lack of transport has led Government to prohibit the export of shipment coal, causing loss to the shippers, and the movement of general merchandise is delayed and hampered, causing great hardship and reducing business operations to a gamble, *e.g.* :—

One firm trading in linseed, with a good demand and prices high for early shipment, found shipping available, but it was too risky to undertake business because no reliance could be placed upon getting the seed to the port within a reasonable time. The firm had in one case some 700 tons of linseed held up at an up-country station for over four months. The movement of the linseed crop was so impeded that seed from the River Plate filled the demand and India lost the opportunity of selling the seed. Stocks accumulated between April and June were not commenced to be despatched before August, and only 698 tons were cleared in the following two months.

A manganese firm could without any difficulty dispose of double the quantity of manganese if the railways were in a position to move the ore. They have 300,000 tons of ore

in stock. To instance the congestion, at one station there are 70,000 tons, which are only being despatched at the rate of about 3,000 tons per mensem. This station is already two years in arrears with its despatches—at other stations there are large quantities also waiting to be railed, viz. :—South Tirody, 70,000 tons; Balaghat, 60,000 tons; Ramtek, 45,000 tons; Tumsar Road, 20,000 tons; and various quantities elsewhere.

The import of salt into Calcutta is 500,000 tons annually, and owing to lack of wagons to convey the salt up country one firm alone has lakhs of rupees locked up. Owing to the difficulty of getting it away by rail there was not sufficient accommodation for the salt coming in. Recently a ship with 1,400 tons of salt had to take it back again to Liverpool. Another steamer which brought 6,000 tons, after over a month had only unloaded about half its cargo.

Another firm has a sugar refinery in Calcutta which bought several thousand tons of semi refined sugar in Cawnpore deliverable by a specific date, but 600 tons had not yet been delivered. The market has now fallen and the firm has had to refuse to accept delivery, with the result that the sellers must lose heavily because of the railway's failure to perform its duties.

A tar refining industry, opened two and a half years ago, is unable to work at its full capacity owing to the inability of the railways to supply tank wagons. If it had been an independent company it would have failed by now.

The foregoing are merely typical instances of what is constantly happening. Not only do consumers suffer, but the uncertainty of adequate transport is paralysing trade. It is obvious that the whole railway machine is inadequate. What is necessary is an all-round enlargement of the carrying capacity of the railways.

EVIDENCE TAKEN AT MADRAS.

LIEUT.-COL. BARNARDISTON, SECRETARY TO GOVERNMENT OF MADRAS, RAILWAY DEPARTMENT. (Vol. III., paras. 4683, 4684, 4693 and 4701.) Madras Evidence

Erode Junction is a particularly bad case; facilities are inadequate and nothing can be done until a decision is given as to the arrangements to be made at Erode in connection with the question of the location of the broad gauge South Indian Railway workshops, which has been under discussion for some 10 or 15 years without a decision being arrived at. Further, nothing can be done, pending the Railway's Board decision, with regard to the reconversion of the Trichinopoly-Erode line to broad gauge; this line urgently needs renewal as the rails are worn out and train speeds have been limited to 22 miles per hour. This work is now held up because of the locomotive workshop question, but the question of renewals is one which should have been faced many years ago.

The Government of Madras estimates an expenditure of some Rs. 30 crores as being required to bring railway communications in Southern India to a state of reasonable efficiency. During the 14 years prior to the creation of the Railway Board, 1,200 miles of new railway were built in the Madras Presidency, but in the 14 years of the Railway Board's existence only 535 miles of new lines have been opened, of which 200 were in course of construction when the Board was formed, and 142 were constructed by district boards or other agencies, leaving an annual average of only about 14 miles to the credit of the Railway Board.

MR. MOIR, LATE DIRECTOR OF CIVIL SUPPLIES, MADRAS. (Vol. III., paras. 4733 and 4736.)

There had been a great shortage of rolling-stock, and, he understood, of engine power on the railways, while there was an exceptional scarcity of food over a large part of the Presidency. Many complaints were received from licensed exporters that they could not get their rice carried.

LIEUT.-COL. MAGNIAC, AGENT, MADRAS AND SOUTHERN MAHRATTA RAILWAY. (Vol. III., paras. 4774–4777, 4781, 4800, 4826 and 5125.)

Frequently, for want of sufficient rolling-stock, traffic is delayed in transit. At present the Madras and Southern Mahratta Railway is not refusing traffic because it has fallen off considerably of late. Locomotive coal, formerly taken by sea, from Bezwada to the metre gauge lines in the West, has to be carried over a light section of the line on which heavy engines cannot run, thus causing congestion during the heavy traffic season. Colonel Magniac had never known sufficient rolling-stock to be in existence at times of pressure on the Eastern Bengal, the North-Western, or the Madras and Southern Mahratta Railways, on all of which he had served. His experience was that at certain times public demands could not be fully met, and from the beginning of March to the end of June it is impossible to comply in full with the demands of the merchants on the Madras and Southern Mahratta line. It therefore follows that a priority register for wagon supply is maintained as a matter of course on Indian railways.

The existing lines must be brought up to standard before extensions can be contemplated. The strengthening of bridges is very important, as heavy engines cannot run over many of the existing bridges. The Godavari bridge, for example, is not up to the present standard; it was built some 22 years ago to take a calculated train load of 344 tons, the present trains being over 544 tons.

For the years 1912–13 to 1918–19, Rs. 506·11 lakhs had been asked for on capital account to bring open lines and equipment up to a suitable standard, but only Rs. 269·45 lakhs had been allotted by Government; in 1919-20 the railway got Rs. 18 lakhs more than had been asked for; in 1920–21 the demand was for Rs. 145 lakhs and the sanctioned grant was Rs. 161 lakhs; for the year 1921–22 the demand was for Rs. 164 and the preliminary sanction Rs. 67 lakhs only, necessitating the abandoning of all new projects during the coming year. This is not conducive to economy and makes it impossible to make up existing arrears of works. The Government had refused to allow the companies to raise additional capital as desired by them, and had failed to supply funds for expenditure on rolling-stock and other improvements

THE HON. MR. SIMPSON, CHAIRMAN, AND TWO MEMBERS OF THE MADRAS CHAMBER OF COMMERCE. (Vol. III., paras. 4850 and 4856.)

The Chamber of Commerce are of opinion that it is an absolute necessity for many years to come to improve the existing facilities on and equipment of open lines, and that new construction should be held in abeyance for the present.

The Cochin Chamber of Commerce (who had desired to be associated with the representation of the Madras Chamber) drew attention to the disabilities at present existing through the break of gauge from the South Indian Railway to the narrow gauge of the Shoranur Cochin Railway and the serious shortage of rolling-stock on that line.

Mr. Simpson stated that they had got along fairly well up to 1914, although at certain seasons difficulty had been experienced, but the daily recurrent maintenance had fallen behindhand, and the public are now suffering greatly from the inadequate carrying capacity of the lines. Traffic is growing and must continue to grow. Railway stations are crowded with merchandise, lying frequently for days awaiting transport. It is a matter of urgent necessity to improve the carrying capacity.

REPRESENTATIVES OF THE SOUTHERN INDIA SKIN AND HIDE MERCHANTS' ASSOCIATION. (Vol. III., paras. 4877, 4883 and 4889.)

Better communications are needed between Madras and Pallavaram or Chingleput. There is an urgent demand for the railway to be doubled to enable it to cope with the heavy traffic on it. Merchants, as matters stand, are always afraid of being unable to fulfil their contracts owing to delays caused by the railways.

Piece goods merchants complain that they are kept waiting for weeks together for wagons; even when they get these, consignees cannot count on prompt delivery of goods.

MR. C. DURAISWAMY AYYANGAR, REPRESENTATIVE OF THE MADRAS LIBERAL LEAGUE. (Vol. III, para. 4965.)

There is no disputing the fact that there is great congestion on the railways, and that a large sum of money will have to be spent to bring these to a proper standard.

MR. MITCHELL, CHAIRMAN OF THE MADRAS PORT TRUST. (Vol. III., paras. 4988, 4990 and 4992, and page 123.)

Mr. Mitchell emphasised the "utter inadequacy" of the supply of funds for railway purposes; of this, he said, there could be no possible question.

Nobody differed from the Port Trustees' opinion that the carrying capacity of the railways is not adequate. At least at periods of pressure, the railways have been unable to cope with the whole of the traffic offering through the port.

Improvements should be made by duplicating congested portions of the line and by providing more rolling-stock—there are cases in which the full use of the existing rolling-stock is prevented by inadequacy of the line carrying capacity. The largest bogie wagons cannot be fully loaded because of the light standard of certain bridges.

Mr. Mitchell furnished statements comparing the numbers of wagons applied for by the harbour authorities with the numbers supplied by the railways during the six months ending September 1918. The totals are:—

Broad Gauge Wagons—	
Applied for	18,424
Supplied	3,016
Metre Gauge Wagons—	
Applied for	9,846
Supplied	1,617

The figures show that, during the period, the average daily ratio of supply to demand was slightly over 16 per cent. That is to say that only one was furnished out of every six wagons applied for. It is of course not to be understood that only one-sixth of the traffic offered was ever carried.

MR. K. PARTHASARATHY IYENGAR, RAILWAY PASSENGERS' ASSOCIATION, MADRAS. (Vol. III., para. 5009.)

Instances of overcrowding were given, showing:—

	(1)	(2)	(3)
Average number of travellers on a specific train per day	865	842	835
Average accommodation provided	553	297	564

MR. ROSS LOGAN, ACTING AGENT, SOUTH INDIAN RAILWAY. (Vol. III., paras. 5070, 5076, 5079, 5080, 5100 and 5110; and page 133.)

Overcrowding is serious on certain sections of the railway, and the line has access to Madras only by a single line which runs over a number of level crossings within the city boundaries. Mr. Logan had no doubt that the line ought to be doubled and the level crossings obviated. There is a deficiency of rolling stock as well as of engines. The railway facilities are inadequate; he could point to no important direction in which the facilities of the railway for dealing with its increasing traffic are sufficient.

There is a good deal of overcrowding on certain parts of the line, and in certain cases it is necessary for passengers to alight and entrain otherwise than at platforms; the railway had been suffering from the shortage of coal. They have about 15 days' stock of coal on hand, but before the war used to have a two months' stock.

The Coleroon bridge was built about 40 years ago. It is now proposed to rebuild it to the 1908 standard.

A detailed statement is submitted showing that, during the years 1910–11 to 1920–21, Rs. 830.89 lakhs had been asked for on capital account by the South Indian Railway Company in the July Forecasts, and only Rs. 646.66 lakhs had been allotted.

The witness stated the company had done all that it could reasonably do to induce Government to provide the necessary funds, and that the public have no serious grievances except such as are due to lack of facilities, and this is due entirely to the Railway Board's failure to supply the necessary money.

EVIDENCE TAKEN AT BOMBAY.

Bombay Evidence.

MR. LLOYD JONES, AGENT OF HIS EXALTED HIGHNESS THE NIZAM'S GUARANTEED STATE RAILWAY COMPANY. (Vol. III., paras. 5155–5157 and 5165.)

The Nizam's Railway is in a position to give 900 tons of traffic daily to the Great Indian Peninsula Railway at Manmad, but has frequently been restricted to 200 tons. For this reason the Nizam's Railway desired to find another outlet, but were prevented by the claim for protection of the Great Indian Peninsula Railway from making lines to take the traffic elsewhere.

For some years past the cotton seed traffic offering has been many thousand tons more than could be carried during the season, and there have been constant complaints from merchants that they cannot move their crops. Mr. Lloyd Jones could recall one occasion when it had been necessary to burn cotton seed owing to the inability of the railways to carry it; in many cases, the movement of the crops to the railway stations did not take place owing to the known inability of the railways to take them away. In 1919 the Nizam's Railway was involved in heavy losses on account of damage to cotton bales which could not be moved until the beginning of August, and the losses to the merchants would probably be more than those of the railway. The railway had insufficient shed accommodation to stock the goods, which were left in the open.

There were also restrictions at Wadi, on the Great Indian Peninsula Railway, which had affected the castor seed traffic to Bombay.

MR. MACNAGHTEN, DEPUTY CHAIRMAN OF THE CHAMBER OF COMMERCE, BOMBAY. (Vol. III., para. 5206.)

The railways having access to Bombay have not provided adequate facilities in recent years. Delays in transport are considerably greater than they were eight or ten years ago. The Chamber of Commerce receives a very large number of complaints from its members.

KHAN BAHADUR A. M. DALAL, PRESIDENT, DISTRICT BOARD, BROACH. (Vol. III., para. 5253.)

The industrial development of India is likely to be throttled for want of adequate railway facilities.

Merchants experience the greatest difficulty through traffic to Bombay being frequently stopped for days together. Trade suffers all round as the unreliability of railway communication interferes with merchants' ability to make or fulfil contracts.

It is a matter of common experience, happening almost every other year, that heavy losses are incurred through damage to cotton seed and cotton bales, which deteriorate owing to their having to be left in the open in the rains for want of railway transport.

Carts sent to the railway station have frequently to take goods back because booking is stopped.

MR. RUMBOLL, AGENT, GREAT INDIAN PENINSULA RAILWAY. (Vol. III., para. 5278.)

Thirty-one years ago the then railway authorities said that the railways ought to adopt the vacuum brake, and now 31 years later at least 20–30 per cent. of the stock is not fitted with it, and even where the stock is fitted the equipment is often not used, and the equipment therefore deteriorates owing, for instance, to the rubber fittings perishing. The consequence is that money has been wasted on machinery of which full use is not made.

DEWAN BAHADUR K. R. GODBOLE. (Vol. III., para. 5343.)

Recently he had seen on one of the lines managed by the Great Indian Peninsula Railway Company a number of passengers who had had to wait one or even two days for a train; they were compelled to remain on the platforms as there was no accommodation in the trains.

MR. RAMJI BHARMAL, OF MESSRS. BHARMAL, SHRIPAL & CO., BOMBAY, REPRESENTING THE GRAIN MERCHANTS' ASSOCIATION, BOMBAY. (Vol. III., paras. 5488 and 5492.)

Goods brought to the railway station lie there sometimes for months before receipts can be obtained, as the railway companies do not issue receipts until wagons are available.

As regards an accident, mentioned in the written evidence, in which several deaths and cases of injury were occasioned by passengers having to travel on the footboards of the train, owing to the carriages being overcrowded, the witness stated that this had happened about six months ago on a train from Thana to Bombay. It was due to the fact that the railway was not using sufficient carriages on the suburban trains.

EVIDENCE TAKEN AT LUCKNOW.

Lucknow Evidence.

MR. HARVEY, AGENT, OUDH AND ROHILKHAND RAILWAY. (Vol. III., paras. 5743, 5744, 5751, 5752 and 5930.)

The carrying capacity of the Oudh and Rohilkhand and connected railways is inadequate owing to want of facilities for handling, sorting yards and the like; as a result traffic cannot be handled efficiently.

Restrictions had to be imposed on the movement of traffic owing to the weakness of the road.

The railway is very short of coal—stocks being as low as six days' supply on the whole line and three in Lucknow. Last Christmas they had to cancel something like 20 passenger trains, and now the position is much worse. The coal supply is dependent on junction facilities.

Recently the Oudh and Rohilkhand Railway had had to clear, in connection with *mela* traffic, some 50,000 passengers from Allahabad, who were left behind because the ordinary trains had not been able to carry them. These might have been brought by the East Indian, or the Bengal and North-Western Railway.

At the present time, if the Oudh and Rohilkhand Railway were asked to take another two trains from Moghal Serai to Saharanpur these could not be hauled for want of locomotives. In no case could more than two extra trains be run, as they would be blocked at Lucknow and at other stations owing to there not being sufficient accommodation.

LIEUT.-COL. ANDERSON, TRAFFIC MANAGER, OUDH AND ROHILKHAND RAILWAY. (Vol. III., paras. 5932 and 5933.)

Colonel Anderson said that 16 trains could be run each way as a maximum, that is, nearly double the present number. It was done once in connection with through *mela* traffic, which involved little marshalling work, but threw the whole line into confusion for two or three days. At the most, two more trains could be run each way—the capacity of the line was limited as they had not sufficient yards and crossing places.

As only part of the goods stock is fitted with the vacuum brake, rapidity of movement is impaired, since braked vehicles have to be picked out and put in front when making up trains.

LIEUT.-COL. IZAT, AGENT, BENGAL AND NORTH-WESTERN RAILWAY. (Vol. III., para. 5767; and Vol. IV., page 219.)

The extent to which traffic can be transhipped at junctions, from the Bengal and North-Western Railway to the adjoining State and company worked lines, is seriously limited by the lack of capacity of these. Even before the war this congestion occurred at busy seasons to such an extent that the company had had strongly to represent to the Secretary of State the difficulties experienced by the railway and the need for extensions. Restriction of traffic is typical of the post-war situation; the Bengal and North-Western Railway would normally be able to offer adjoining lines—

via Bari Banki, 600 tons daily (now limited to 150 tons).
via Benares, 250 tons daily (maximum, now limited to 50 tons).
via Mokameh Ghat, 2,000 tons daily (now limited to 600 tons).
via Allahabad City, 120 tons daily (now limited to 30 tons).

MR. MUMME, AGENT, ROHILKUND AND KUMAON RAILWAY. (Vol. III., para. 5795; and pages 239 and 240.)

Traffic to adjoining lines is restricted in the same way as from the Bengal and North-Western Railway. Details were given showing restrictions of traffic *via* Kashganj, varying from an absolute refusal to accept any merchandise to the prescription of different limits of quantity, from December 1919 to February 1920, during which period about 1,500 tons daily might have been loaded in the absence of restriction. From 21st February 1920 to 29th May 1920, traffic *via* Lucknow was restricted by the Oudh and Rohilkhand Railway to 50 tons daily, whereas double the quantity was available for despatch

Similarly traffic *via* Moradabad was restricted at various periods to from one-eighth to two-thirds of the available goods.

If the railway presses foreign lines for the return of its stock, restrictions are immediately placed on the receipt of traffic by those lines from the Rohilkund and Kumaon Railway. He did not think this unreasonable from the point of view of the railways concerned; it meant that they had to return stock in a hurry, which would lead to uneconomical working.

MESSRS. VERRIERES AND BILLSON, REPRESENTATIVES OF THE GOVERNMENT OF THE UNITED PROVINCES. (Vol. III., paras. 5912, 5915 and 5920.)

Complaints are general about the blocks in traffic. The main difficulty experienced is that of the blocking of traffic at the junctions between the metre and broad gauge lines.

The policy of the Railway Board appeared to be that main line communications should be broad gauge, although the companies were prepared to make metre gauge connections.

EVIDENCE TAKEN AT CAWNPORE.

Cawnpore Evidence.

SIR THOMAS SMITH, PRESIDENT, UPPER INDIA CHAMBER OF COMMERCE. (Vol. III., paras. 5830-5.)

In 1920 the average time taken in transport of goods between Calcutta and Cawnpore was 14–15 days, and between Bombay and Cawnpore about 24 days. It was observed that though in each specific case of delay some special reason might be adduced, the fact was that little traffic got through without encountering some special difficulty.

MR. SHAKESPEAR, MEMBER OF THE UPPER INDIA CHAMBER OF COMMERCE. (Vol. III., paras. 5835 and 5836.)

Mr. Shakespear observed that it was a common practice for railways to shut down acceptance of goods, perhaps for 10 days together, without even giving notice to the trade.

He had known of cases of thousands of tons of tobacco lying exposed to the weather and being damaged owing to the inability of the railways to transport it. The sugar industry had been much hampered by restrictions on bookings.

EVIDENCE TAKEN AT LAHORE.

MR. C. A. H. TOWNSEND, DIRECTOR OF AGRICULTURE, PUNJAB. (Vol. III., paras. 5955, 5957, 5961–4, 5966 and 5967.) Lahore Evidence.

Third-class passengers are undoubtedly overcrowded. It is specially noticeable in the more populous districts of the Punjab; so much so, that practically free fights take place between would-be passengers and those already travelling who do not desire others to get into the carriages. He observed that the railway staff maintain an air of majestic aloofness.

Something should be done to ensure greater consideration of the views of the Local Government. A case within his experience occurred some four years ago, when it was a matter of urgent necessity that cotton seed should be moved in time to permit of sowing. The matter was so urgent that the Punjab Government Financial Secretary interviewed the North-Western Railway Traffic Manager and Agent, but was told, although they were very sympathetic, they could do nothing, being bound by orders received from the Traffic Controller in the Railway Board's offices. The matter was so serious that the Lieut.-Governor wrote to Delhi, with the result that after a member of the Railway Board had visited Lahore it was ultimately set right.

Referring to instances of delays in the carriage of traffic offering, this had happened at all stations in the canal colonies and was especially noticeable in the winter and spring of 1918, during which period hundreds of bales of cotton lay about waiting for wagons.

In the case of the attempt to introduce Punjab-American cotton—a new variety of cotton which the Agricultural Department had been pushing during the past eight years—the management of the Empress Mills at Nagpur bought a fairly substantial quantity of this cotton in December 1917. In the following winter the witness happened to visit Nagpur and went over the mills. He asked the manager how he liked the Punjab-American cotton. His reply was, "We like it all right, but we are not going to buy any more" He gave as his reason the fact that the cotton bought in December 1917 had not reached Nagpur until July 1918, and they could not afford to have their money locked up in that manner. These mills had purchased no more Punjab-American cotton.

During the long period of delay the coverings of the bales had been torn off and it had been found difficult to identify the consignments. The cotton is going at present largely to Japan and is shipped from Karachi and Bombay. Experience was that it was easier to carry the goods to Karachi than to Nagpur.

Some 20,000 acres of land were under Punjab-American cotton last autumn where practically none had been grown before. In this case, the proprietors of cotton ginning factories some 100 miles away by rail purchased a large quantity of the cotton, one of them having bought about 40 wagon loads. When Mr. Townsend visited the locality about a fortnight ago the cotton was still lying in the goods stations and the merchant asked for his assistance in securing its transport, complaining that his money was locked up and, while the cotton lay at the stations, his ginning factories were unemployed. This merchant had refused to buy more cotton during the recent sales. The North-Western Railway Traffic Manager was written to but was unable to help owing to lack of coal, which in turn was ascribed to the shortage of railway transport facilities from the colliery.

Mr. Townsend said that the proprietor of a glass and flour mill factory at Ambala had told him that for want of coal he has occasionally to shut down his factory for two or three days.

Mr. Townsend mentioned that serious damage is caused to goods, lying unprotected from the weather, by rain, owing to the lack of adequate covered accommodation at the railway stations, especially on the Lahore-Karachi main line. Annually in the winter rains *toria*, a delicate grain, gets damaged by lying in the open yards.

In 1907 the heavy rains in May and June caught the congested accumulation of wheat on the colony stations and these were again rained upon in July and August. When it was finally moved, owing to the stench becoming intolerable, many firms found that they had lost all the bottom bags and sometimes two rows of bags. A special staff had to be employed to clear the stations of the rotten wheat, which was caked into the mud of the open goods yards and probably a cholera epidemic was only narrowly avoided.

Mr. Townsend said that he attached most importance at the present time to the lack of proper storage accommodation on the line serving the Montgomery colony, where the railway facilities are not keeping pace with its development, with the consequence that goods are damaged. The North-Western Railway Agent was anxious to help, but was hampered from want of funds.

Mr. Townsend said that the present time traffic can only be got through by special appeals and applications, instead of being accepted, as it should be, as a matter of course when offered.

MR. WATTS, MANAGER, BHUPENDRA FLOUR MILLS, BHATINDA. (Vol. III., paras. 5979 and 5986.)

During the past four years, through the inability of the North-Western Railway to handle their goods, the Bhupendra Flour Mills had on an average lost six working days in a month. This was largely due to the practice of the railway taking possession of coal sent to the mills with the consequence that the mills frequently ran short of it. The mills had recently been burned down, but just before that happened they were so short that they would have had to shut down altogether. The position was generally so bad that he asks for compensation to be made by actual replacement of the coal and not by paying a sum of money.

Mr. Watts said that on the North-Western Railway booking is at present closed for certain goods, including the classes of goods he turns out in his mills.

Bhatinda is capable of handling only one-third of the local traffic that offers there From Bhatinda his mills could only send two-thirds of what they are capable of producing. The mills had at no time handled more than 65,000 maunds though they could deal with 100,000, and this fact gave them no encouragement to increase their capacity.

They made *besn* (a special wheat flour), and though prices for this are high in Bombay, could not take advantage of them as the railway could not carry the maximum quantity they could

produce. Without further extension the mills could double the output—if there were greater railway facilities more could be manufactured and thus the price to the poorer Hindu population would be reduced.

LALA MULK RAJ BHALLA, PUNJAB CO-OPERATIVE BANK. (Vol. III., paras. 6000 and 6001.)

Overcrowding is serious in all classes on the railway, excepting the first class. He had travelled, in one case, in a second-class compartment which was so crowded that he wanted to leave it to change his ticket and get into the first class, but had been unable to get out owing to the crush in the carriage.

Goods wagons are used for passengers on many branches, quite apart from special conditions of pressure due to pilgrimage traffic.

SETH PRABHU DAYAL, MILLOWNER OF MULTAN. (Vol. III., paras. 6010-13, and 6022.)

The position is very serious as instanced by the fact that for the past month not a single wagon load has been carried from any station in the Multan district and two or three other districts. His factory at Gojra has had to close down on account of shortage of coal.

A fortnight hence the cotton sowing season will commence, and at present the seed is lying at stations waiting to go to its destination; sometimes bags of seed rot while waiting for transport and become completely useless.

Mr. Scott, the Director of Industries, had recently induced the Agent of the North-Western Railway to supply 200 wagons daily to take pressed cotton to Karachi. The North-Western Railway would take it only to Karachi and not allow transport off its own line. It goes ultimately from Karachi to Bombay by sea. As merchants make forward contracts they lose heavily owing to their inability to deliver to time.

The position is that, whether it is a matter of transporting seed to growers, cotton to presses, coal to the factories or pressed cotton to the consumers, blocks constantly occur everywhere on the railways.

As an example of the ill-effects of the uncertainty with regard to wagon supply the witness's factory at Gojra, which is now working, will be closed next week for want of trucks for coal or wood fuel, as loading in several districts on the North-Western Railway is stopped—cotton worth lakhs of rupees is lying in the factory compound.

MR. BOALTH, TRAFFIC MANAGER, NORTH-WESTERN RAILWAY. (Vol. III., para. 6014.)

For the last month there has been an absolute stoppage in the matter of carriage of goods, and from the 29th January onwards the orders were to stop all booking, the coal situation being critical.

MR. SCOTT, DIRECTOR OF INDUSTRIES, PUNJAB. (Vol. III., paras. 6047, 6049 and 6050.)

The witness cited the following merely as examples :—

On the main line in the Lahore district speed was reduced to 25 miles an hour due to bad sleepers.

Owing to bad track speed was restricted to 5 miles an hour for down trains entering "A" platform from Lahore and Kasur side at Amritsar.

In Saharanpur district the speed of trains was restricted to 10 miles an hour because of a defect in the masonry of a bridge.

In Lyallpur district the speed of all trains was restricted to 20 miles an hour, and the running of heavy class engines on the section stopped.

With regard to traffic restrictions the public are at the mercy of the railway staff, as it is impossible for them to familiarise themselves with all the details.

It is quite reasonable to give preference to the movement of foodstuffs; it is not necessarily reasonable to restrict traffic in materials, upon which a man may be dependent for his livelihood and without which he cannot purchase the foodstuffs for his use, *e.g.*, if undue restrictions were imposed on the carriage of cotton, factories would close down, resulting in a large force of labour being thrown out of work and deprived of the means wherewith to buy their food.

MR. BANFIELD, PUNJAB TRADES ASSOCIATION. (Vol. III., para. 6071.)

Referring to parcels sent by passenger train, he did not think that more than 10 per cent. of the traffic from Howrah gets through to Lahore (1176 miles) in the 2½ days which might reasonably be allowed for its transport by ordinary passenger trains. Normally it takes from three to eight days. In many cases it takes much longer.

It had taken 31 days for 195 cases of whisky to be transported from Karachi to Lahore, about March 1920.

MR. HADOW, AGENT, AND OTHER REPRESENTATIVES OF THE NORTH-WESTERN RAILWAY. (Vol. III., paras. 6131, 6180 and 6189.)

Wagon shortage is due not to shortage of rolling-stock, but to the lack of facilities for moving it. The North-Western Railway is badly off in the matter of station facilities; if he had money he would use it to improve these.

The railway representatives were invited to discuss the following note, which had been given by the Director of Agriculture to the Committee :—

"On 27th February 1921 I saw 40 camels taking unginned cotton from Chichawatni to Montgomery, 25 miles, moving parallel with the railway to the Japan Company's ginning factory at Montgomery.

"This was done as cotton could not be booked by rail.

"They were being paid 7 annas per maund for this. It would be interesting to see how this compares with railway freight for that distance. If in excess, it is waste which somebody must pay for—the railway there is working nothing like up to its maximum capacity."

Mr. Boalth said that the rail freight would have been about two annas a maund, and admitted that unginned cotton had been refused owing to the difficulty of moving this kind of traffic on account of shortage of coal. Mr. Hadow mentioned the railway is so deficient of facilities that it could not move everything it would wish to carry.

There had been great delay in doubling the line between Rohri and Kotri, a length of about 200 miles. The work was begun in 1913 and had been completed only a few months ago. Equally serious delays had occurred in the strengthening of bridges, due to difficulty of obtaining material.

LALA KASHI RAM, SUTLEJ FLOUR MILLS, FEROZEPORE. (Vol. III., paras. 6146 and 6149.)

The witness laid stress upon the overcrowding of passengers in the third-class carriages and in women's compartments.

His firm had suffered heavily from stoppage of bookings, sometimes for months together. It would not help him to tell the purchaser of his goods that the railway to which he consigned them refused to carry them. He is bound to pay compensation, and yet has no claim against the railway.

EVIDENCE TAKEN AT DELHI.

MR. COLLINS, DIRECTOR OF INDUSTRIES, BIHAR AND ORISSA. (Vol. III., paras. 6361, 6363 and 6378.) Delhi Evidence.

The country in general, and Bihar and Orissa in particular, is suffering for lack of railways and railway development.

As a result of the lack of coal which has been brought about by the present unsatisfactory railway transport conditions, oil seed crushing mills in Bihar and Orissa are in difficulties. Some of them use wood and some even had to close down altogether. He had received a letter from the management of a mill at Katihar complaining that they had been unable to get coal for three weeks and had to stop work. He furnished the Committee with copy of a letter, said to be typical of several others received, from which the following is an extract :—" . . . in " Bhagalpur last rains, I found that of four or five oil mills there, one was closed down and three " others were only being kept going by the use of wood as fuel."

He had lately heard that a copper smelting works and refinery at Rakha near Jamshedpur had closed down for about a fortnight for the same reason.

No single concern is getting all the coal it would like, many do not get the minimum they require, while all live in a constant state of apprehension of failure of supplies. Mr. Collins said that coal supply had always been bad, and though the situation varies from time to time it is only a question of the relative degree of badness.

If coal companies could be sure of wagon supply they would put in labour-saving devices such as electric cutters and increase the output.

THE HON. SIR MANECKJEE DADABHOY, MEMBER OF THE COUNCIL OF STATE. (Vol. III., paras. 6496, 6497 and 6499.)

Delays up to six weeks or two months are not uncommon.

At the present moment large quantities of manganese are awaiting shipment because they cannot be moved to Bombay, the position being that there is plenty of manganese available, plenty of shipping at the port, and a good market in the United Kingdom; but the business is hampered by the impossibility of getting wagons to convey the material from the Central Provinces to the port. 40 per cent. more manganese might be despatched but for the shortage of railway facilities.

REPRESENTATIVES OF THE MUNICIPALITY OF KARACHI. (Vol. III., para. 6592.)

The inadequacy of funds for railway purposes in the past has been so obvious that the answer to the enquiry on this point in the questionnaire was a foregone conclusion Funds have been inadequate all round. No railway extensions should be undertaken until open lines have been put in order.

EVIDENCE TAKEN IN LONDON.

SIR JOHN HEWETT, LATE LIEUTENANT-GOVERNOR OF THE UNITED PROVINCES. (Vol. II., paras. 8423 and 8441; *see* also note on page 266.) London Evidence.

Sir John Hewett placed at the disposal of the Committee copy of a letter, dated the 13th July 1912, from the Government of the United Provinces to the Government of India, from which the following extracts are quoted :—

" I am directed to address you regarding the congested state of traffic on railways which has caused, and is continuing to cause, immense loss to the agricultural and trading communities in this province and has also seriously affected the administration of forests.

* * * * *

" 2. From enquiries which have been made it appears that the block first became noticeable in December 1911, when all goods traffic passing from the Bengal and North-Western Railway *viâ* Anwarganj (Cawnpore) to the Bombay, Baroda and Central India Railway was stopped for four days. In January 1912 also bookings by this route were much restricted, while the transfer of goods from the Bengal and North-Western Railway at Bara Banki for broad gauge lines was still more hampered. Owing to the accumulation of metre gauge wagons at that station, the contents of which could not be taken over, the Bengal and North-Western Railway was compelled to suspend all bookings on its line for Bara Banki from 11th January to 23rd January, and again from 1st February to 14th February, and 18th February to 7th March.

* * * * *

"3. From the statement made by the President, Railway Board, in the Legislative Council of the Governor General on 8th March 1912, it would appear that the causes of the block are the want of facilities at ports, the incapacity of various lines leading to the ports, and the coincidence of a large export trade, a congestion in coal traffic and a special press of traffic in connection with the supply of grain and fodder to the tract in Western India affected by famine.

* * * * *

"On 1st March the quantity of grain lying at railway stations on the Bengal and North-Western Railway in a single district (Gonda) amounted to 132,922 maunds, while 87,586 maunds were awaiting despatch in bazars close by. In the middle of April the Deputy Commissioner of Kheri saw hundreds of bags of maize which had been lying on a station platform exposed to the weather since December and January. The bags had rotted and could not be lifted. The maize was musty, badly attacked by weevils and probably unfit for human food. In March last the Lieutenant-Governor himself saw considerable accumulations of jagri at the goods station of the Rohilkund and Kumaon Railway Company at Bareilly which had been lying there for a long time intended for despatch to Rajputana by the Jodhpur-Bikaner line, but detained at Bareilly because it could not be booked beyond Kashganj. This jagri had nearly all been spoilt and become unfit for consumption. There was at one time some danger of a failure in the supply of coal for the large municipal waterworks, only averted by a direct appeal to the railway authorities, who were able to spare sufficient to keep the engines going. The collection of metal for road repairs has been much delayed, and the trade in timber and bamboos has been seriously hampered.

* * * * *

"The Lieutenant-Governor has made an enquiry as to the amount of produce awaiting despatch at railway stations on 15th June and lying in bazars close to stations. The results of this are shown in the two statements, copies of which are attached, showing the amount of produce by civil divisions and by railways. They show that the weight of grain alone at stations on that date was 3,800,000 maunds or nearly 140,000 tons. In bazars the amount exceeded 5½ million maunds or 200,000 tons. According to the latest information received there has been some improvement, but this is mainly due to the fact that owing to the weakness of the monsoon there has been a tendency to hold up the new crop. This will no doubt be counteracted by the news in the telegram issued by the Meteorological Department on 11th July that monsoon conditions have now extended over practically the whole country. And that congestion still exists is shown by a report from the Commissioner, Jhansi, dated 8th July, which states that at Kalpi in the Jalaun district 173,500 bags, each containing two maunds of grain, were actually counted, chiefly in the bazar.

"5. His Honour wishes to lay stress on the fact that in spite of the special circumstances referred to in para. 3 the traffic offering in the present year is a fair guide to what may be expected in the future.

* * * * *

"The province has now (1912) recovered from the effects of the three bad seasons 1905-6 to 1907-8. Fresh markets have been opened, and there is a greater demand for the export of certain kinds of produce. The cultivation in the submontane tracts is extending, especially in the large areas lying between our boundaries and the Nepal hills. The Lieutenant-Governor anticipates that, given good seasons, the demands on the railways are not likely to be less in future years than in the present one.

* * * * *

"I am to draw special attention to the statistics of gur (raw sugar). Nearly 45,000 maunds of this article were lying at stations on 15th June, while 188,000 more (including sugar) were waiting in bazars. The problem of improving the condition of the sugar industry is engaging the earnest attention of the Government of India and of Local Governments. In the Gorakhpur district the difficulties of disposing of the produce was so great that cane was actually grazed by cattle this year to avoid the expense of cutting and manufacturing. The Lieutenant-Governor has under consideration projects to assist the foundation of a modern factory in that district, and to establish there a farm for the propagation and distribution of improved canes. But such projects will fail at the outset if railways are unable to provide the necessary facilities for export to Western India, which is the chief market."

Embargoes on traffic.

26. The meaning, in daily experience, of such defects as these, extending over a series of years, will be more fully appreciated from a perusal of the statement given in Appendix No. 1 of the traffic restrictions in force on the principal railways on the 1st April 1921. There were scores of embargoes all over the country, affecting all classes of traffic, and many of them of long standing. The Committee, of course, recognise that some of the restrictions enumerated exist for reasons other than the inadequacy of railway equipment, but the greater number, and the most important, of them are unquestionably due to the absence or inadequacy of facilities and rolling-stock—the result of insufficiency of funds. We quote the following examples as being specially noteworthy :—

Burma Railways.—There is a general shortage of stock and consequent difficulty in meeting demands for wagons.

East Indian Railway.—The acceptance of all goods traffic was suspended from the 24th March 1921 to stations on the Bengal and North-Western Railway *viâ* Mokameh Ghat, and from the 29th March 1911 to the Oudh and Rohilkhand Railway *viâ* Moghal Serai.

Bengal-Nagpur Railway.—Capacity is inadequate in general, both as regards rolling-stock and other facilities.

South Indian Railway.—There are 11 specific restrictions in traffic, *viâ* the principal junctions, affecting both local and through traffic.

Great Indian Peninsula Railway.—Inwards traffic from the East Indian; Bengal-Nagpur; Bombay, Baroda and Central India; Madras and Southern Mahratta; Nizam's Guaranteed State: and other railways is restricted at 15 junctions to from 600 to 30 wagons daily. Local traffic is also severely restricted.

Bombay, Baroda and Central India Railway.—Numerous restrictions are specifically ascribed to such causes as want of transhipment facilities; insufficient locomotive power; and paucity of wagons.

Jodhpur Bikaner Railway.—Traffic *viâ* Kuchaman Road is limited to one-half of what could be accepted were it not for the coal shortage.

North-Western Railway.—To accommodate the passenger traffic offering it would be necessary to run four additional mail trains and 55 additional passenger trains on various sections. The existing restrictions are due chiefly to a shortage of coaching stock.

Conditions described neither new nor local.

27. It will be remarked that the evidence summarised in this chapter relates to the railways of the north equally with those of the south, of the east as of the west; that the tale of inability to cope with the traffic relates alike to lines managed through companies and those directly administered by the State; and that many of the complaints made date from long before the war period, though they have naturally been intensified by the abnormal conditions of recent years.[1] Congestion at some time or at some place is a commonplace of railway management in every part of the globe. But in India for years past it has recurred each season; it has now become normal and will become permanent unless bold measures are taken to deal with the situation.

[1] It is fair to say that during the war the congestion has been heightened by the transfer of coal traffic from water carriage to the railways. In the pre-war year 1913–14 the freight ton mileage of goods traffic was approximately 15,623 millions. In 1918–19 the figure had risen to 22,140 millions, representing an increase of 42 per cent. For coal alone the ton mileage increased during the same period from 5,203 millions to 9,987 millions or by 92 per cent., and the carriage of coal monopolised practically one-half of the broad gauge stock. This sudden and unexpected increase in the coal traffic was largely due to the complete cessation of coastal shipping services

CHAPTER III.

Finance and Financial Control.

Demand for financial reform.

28. The defects mentioned in the last chapter are due primarily to the failure of Government to provide the railways with adequate funds for capital expenditure on development and extensions, and even for the essential operations of renewal and repairs. They are the inevitable results of a paralysing system which has not been adapted and developed to meet the requirements of what is essentially a commercial enterprise of the first magnitude.

29. As to the necessity for great financial reforms, the evidence placed before the Committee is practically unanimous.

30. Witness after witness told us that the present financial methods need drastic revision, and that the basis of the reform is the complete separation of the railway budget, in respect both of capital and revenue, from the general budget of the country. The Associated Chambers of Commerce of India and Ceylon expressed the general opinion in the following resolution, which they passed at their annual meeting held in Calcutta on the 24th and 25th January 1921:—

> "That this Association is strongly of opinion that the present method of financing the annual capital expenditure programme of railways in this country, and the general system of control exercised by Government over their administration, are in urgent need of revision and reform. This Conference further considers that, as an essential condition precedent to such reform, immediate steps should be taken to render the railway administrations independent of the provisions of the general budget and to secure for them a separate budget of their own."

31. This resolution under both its heads embodies conclusions at which we have independently and unanimously arrived. To explain our reasons, it is necessary to describe the system that has hitherto prevailed and the results to which it has led.

Description of present methods.

32. The financial methods of the Government of India are closely modelled on their English prototype. The English Government, as is well known, does not present a balance-sheet comparable to that of an ordinary business. The Budget is merely what an accountant would call a cash statement. It is on the one side a summary of the actual money received, and, on the other side, of the actual money paid out, during the financial year. It takes no account of monies receivable on the one hand nor of accounts due on the other in respect of transactions closed within the current year. Further, the Budget appropriates to each Department of Government a certain sum; and whatever portion of this appropriation is not spent within the year automatically lapses, and the power of the Department to spend only arises afresh when a new appropriation for the ensuing year is made. We need hardly emphasise the difference between this system and the methods of a commercial company, which takes stock of the position year by year in its revenue account and balance-sheet. A company treats its business as a continuously going concern with a carefully thought out programme, both of revenue and capital expenditure, for years ahead, and with provisional financial arrangements calculated to correspond.

33. The total Budget receipts of the Indian Government for the year just closed, leaving out railways, were in round figures 180 crores[1] of rupees; the revenue receipts of the railways were Rs. 82 crores. In other words, the railway receipts were nearly half as large as all the other items of receipts in the Budget put together. And while the receipts from ordinary taxation vary only slightly and slowly from year to year—unless of course old taxes are reduced or abolished or new taxes imposed, the effect of which is readily calculable in advance—railway receipts vary abruptly from time to time in accordance with harvest results and trade fluctuations. And alongside of the increase or decrease in traffic which the gross earnings connote, comes usually a smaller expansion or contraction of working

[1] One hundred thousand rupees (written Rs. 1,00,000) = one lakh. Ten million rupees (written Rs. 1,00,00,000) = 100 lakhs = 1 crore. The rupee par of exchange was till the war 1*s*. 4*d*., *i.e.*, Rs. 1 lakh equalled 6,666*l*.; Rs. 1 crore equalled 666,000*l*. In 1919 the exchange value of the rupee ran up at one time as high as 2*s*. 11*d*. At the time of writing it is about 1*s*. 3½*d*. For the purpose of this year's Budget the Indian Government is assuming the figure of 1*s*. 8*d*.

expenses. Consequently the railway net receipts, *i.e.*, the money left after paying working expenses, fluctuate from year to year. The following table shows the gross receipts, working expenses, and net receipts of the Indian railways back to the year before the war:—

Table showing Gross Receipts, Working Expenses and Net Receipts—State Railways (worked by the State and by Companies).

	Gross receipts.	Working expenses.	Net receipts.
	Rs. crores	Rs. crores	Rs. crores
1913–14 - -	56·32	29·36	26·96
1914–15 - -	54·16	29·53	24·63
1915–16 - -	57·26	29·53	27·73
1916–17 - -	62·95	29·97	32·98
1917–18 - -	68·92	31·36	37·56
1918–19 - -	76·26	37·08	39·18
1919–20 - -	79·06	45·52	33·54
1920–21 (estimate) -	81·32	54·22	27·10
1921–22 (estimate) -	87·06	58·70	28·36

34. Now, it is the prime duty of the Indian Chancellor of the Exchequer, the Finance Member of Council, to balance his Budget. In times of bad harvests and bad trade receipts fall off. The Finance Member is constrained to economise. He cannot reduce the army or the civil services wholesale at short notice. Nor can he refuse to pay railway wages or to provide currently consumable stores. He can and does curtail his appropriation to railways for renewals and betterment works. And he cuts down still more drastically expenditure on new works and extensions, even though they may be in process of execution. The Mackay Committee of 1907 considered that the Government should fix periodically a standard of annual capital expenditure which at that time they thought might be taken as 12,500,000*l.* = Rs. 18·75 crores,[1] and they laid stress on the desirability of Government adopting a steady annual rate of expenditure which they might reasonably hope to maintain even in times of difficulty. In practice the Government did not see their way either to attain the modest standard recommended by the Committee, or to adhere over a series of years to any uniform rate, as is seen from the following figures at which the capital programmes from 1908–09 were fixed:—

Year.	Capital programme.	Year.	Capital programme.	Year.	Capital programme.
	Rs. crores.		Rs. crores.		Rs. crores.
1908–09 -	15·00	1913–14 -	18·00	1918–19 -	6·30
1909–10 -	15·00	1914–15 -	18·00	1919–20 -	26·55
1910–11 -	16·30	1915–16 -	12·00	1920–21 -	21·98
1911–12 -	14·25	1916–17 -	4·50	1921–22 -	17·82[2]
1912–13 -	13·50	1917–18 -	5·40		

35. It was of course inevitable that the outbreak of the war should lead to a stoppage of railway development, but the failure to which we refer to carry into effect either of the recommendations of the Mackay Committee is sufficiently obvious from the figures prior to 1915–16.

36. The effect of this policy of inadequate allotments, varying irregularly up and down from year to year, would have been bad enough in any case. But it is made worse when, as not infrequently happens, the allotment is suddenly cut down during the currency of the year to which it relates, and works in progress are suspended, staff are disbanded at a moment's notice, and materials are left lying on the ground for an indefinite period. An almost equally bad effect is produced when late on in the year, the general financial position having unexpectedly improved, the Finance Member with equal suddenness lifts his hand and thus encourages the railways to spend more freely. For then, in fear of the guillotine of "lapse" which must descend on 31st March, in eager haste the railway officials start to spend, with inadequate staff and hurriedly collected materials, the money unexpectedly thrust upon them. The system of "allotments."

[1] The evidence of Lord Inchcape before us in London is interesting in this connection.—

"What we would have liked to have done would have been to have spent not 12,500,000*l.*—Abrahams cut me down, you will remember, he was the Financial Secretary here—we would like to have spent 20,000,000*l.* if we had had our way. I did not like to press him too much, he was more or less responsible as Financial Secretary to the Secretary of State."

[2] Includes a sum of Rs. 2·82 crores to cover loss by exchange.

Its practical effect.

37. A good instance of the unbusinesslike system of doling out funds for railway capital purposes, as and when there is a little money to spare, is afforded by a letter sent by the Railway Board to the Great Indian Peninsula Railway Company in December 1920. It runs as follows:—

> "I am directed to inform you that five lakhs have been allotted in the six months' estimates with a view to making a commencement on the construction of the Warora-Pisgaon Railway from Majri to Rajur. I am to request that you will make arrangements for construction to proceed as quickly as possible with preliminaries up to the limit of this allotment. There is no expectation at present of any money being available for this line in next year and work may have to be temporarily suspended."

Our attention was drawn by the Company's Agent (*see* Volume III., para. 5298) to the unreasonableness of thus granting money a few months before the end of the year, when there was too little time to spend it advantageously; and to the unwisdom of proposing the commencement of a railway when the prospects of being able to continue it were so uncertain.[1]

38. Another example on a larger scale is afforded by the history of the Itarsi-Nagpur Railway. This line is 238 miles in length; it presents no serious engineering difficulties; and its importance as a new connection from north to south is not disputed. Its construction was begun in 1908. It is not yet completed. Apparently construction was about half finished in the six years before the war; even during the war it was not wholly suspended, and since the war it has been taken up again. For the current year an allotment of Rs. 10 lakhs, say 66,000*l.*, has been made. We were given to understand that, if everything went well, and allotments continued to be made as at present the line would be opened for through traffic in 1925 or 1926, 17 or 18 years after construction was begun. The total cost of the line will then be Rs. $4\frac{3}{4}$ crores out of which Rs. $3\frac{1}{4}$ crores will be for actual construction and Rs. $1\frac{1}{2}$ crores for interest on the capital which lay idle while the line was still under construction.

39. We need not here enlarge further upon the practical effect which the present system of financial control has produced. The evidence which we have summarised in Chapter II. is sufficient. We now proceed to describe in detail the mechanism through which this control operates.

40. The administration of each railway, whether worked by the State or by a Guaranteed Company, submits each year to the controlling authority, the Railway Board, two sets of statements. These overlap and are to some extent combined in the same printed documents, but can best be considered separately.

"Programmes."

41. First there is a statement relating both to "Programme" Capital Expenditure and "Programme" or "Special" Revenue Expenditure which the Agent of each railway is required to submit to the Railway Board in or about the month of July in each year. This is known as the "July Forecast." It is a provisional combination of the two programmes, and sets out the amount the Agent desires to have allotted to him for expenditure on renewals, betterments, additions and extensions during the year commencing on the following 1st of April. This statement has to specify separately all works estimated to cost more than Rs. 25,000 (say 1,650*l.*).

42. Nominally, this "Programme" deals not only with the ensuing year, but with the two years next following it. But the figures for the latter years are practically meaningless. The Agent has not attempted to make them accurate, for he knows that circumstances over which he has no control will entirely alter conditions before his forecast can possibly take effect. This system of forecasting for three years ahead was introduced in 1904. It was in the direction of an improvement evidently desirable. At that time people were sanguine enough to imagine that it

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[1] Compare also the evidence of Mr. Nolan, Acting Agent, Assam Bengal Railway, who, referring to the inadequate provisional allotment of Rs. 25 lakhs to his line for capital expenditure in 1921–22, said that in consequence of this he had had to cancel many of his requisitions for stores and had telegraphed to his Board of Directors to cancel certain contracts if possible. One result would be that some Rs. 48 lakhs worth of rolling-stock materials from England would lie idle for want of about Rs. 8 lakhs for the cost of erection in India. (Para. 4569, Vol. III.)

Colonel Cameron, Agent of the Eastern Bengal Railway, gave similar evidence. He observed that dependence on the general financial position of Government from year to year causes embarrassment, money sometimes not being available when required and at other times being extravagantly expended in a rush to avoid a lapse. He told the Committee that at the time of his evidence there was a certain amount of rolling-stock due for replacement, a number of engines had been ordered from home, but owing to the difficulty of financing the payment for them he had suggested their being transferred elsewhere. (Paras. 3885 and 3959, Vol. III.)

would be possible to secure some continuity in Indian railway financial policy under the existing system. That hope having been subsequently abandoned, the second and third year forecasts, though the figures still continue to be inserted in order to comply with regulations, are treated by both sides as negligible. The Railway Board ignores them; and we need not refer to them further.

43. The Programme of which the July Forecasts may be regarded as the first edition deals with an expenditure a part of which is for renewals, a part for betterments, and a part for additions and extensions. It is in the main a programme of capital expenditure, but is, in fact, a programme in which Revenue and Capital expenditure are closely associated. If 10 miles of 75 lb. rail is taken up and replaced with new 75 lb. rail, the whole is obviously a charge on Revenue. If, on the other hand, when the 75 lb. rails are taken up, they are replaced with new 90 lb. rails, the extra weight of rail, being an addition to the assets of the undertaking, is—from the strict accountant's point of view—a legitimate charge to Capital. If an engine or a carriage or a wagon is replaced by a similar one, the whole cost is chargeable to Revenue. If a more powerful engine, or a larger vehicle, is provided in substitution, the cost of the extra tractive power, or the greater capacity, can be legitimately debited to Capital.

44. We now return to the history of the July Forecast as submitted by the Agent. It by no means represents all the money which he thinks he ought to spend on his railway in the coming year, though it will certainly represent a larger sum than, judging by previous experience, he has any hope of getting. The Agent's demand is kept down not only by his feeling that it is useless to ask for the unattainable, but also by his knowledge that, in default of a settled programme of uninterrupted construction resting on secured finance, his power of spending is restricted to that with which his existing engineering organisation can cope.

45. Shortly after sending in his Forecast in July each Agent follows it to Government headquarters and discusses it with the Railway Board. In these discussions the Railway Board arrives at a preliminary agreement with each Agent as to the sums which might reasonably be allotted to him for expenditure in the ensuing financial year on (*a*) *Capital Account* (this includes the whole cost of new works, and such portion of the cost of substitutions or replacements as represents betterments and additions); and (*b*) *Revenue* (*Programme*) *Account* (this includes so much of the cost of such works of renewals and replacements as is chargeable to Revenue, but excludes all revenue expenditure of the nature of wages, current working expenses and ordinary day-to-day repairs). Their various stages.

46. The Railway Board, having before it all the Forecasts as amended—the amendment is always in one direction, downwards—in these discussions, is now in a position to add them up, and to place before the Finance Department the consolidated estimate of the railways' Capital and (Programme) Revenue requirements, and to ascertain to what extent the Finance Member considers himself likely to be in a position to supply the requisite funds in the ensuing year.[1]

47. The Railway Board, having found, let us say, that the Agents' total demands reach Rs. 30 crores for Capital and Rs. 11 crores for (Programme) Revenue Expenditure; having itself in discussion with the respective Agents reduced the figure, to say, Rs. 28 crores and Rs. 10 crores respectively; and being advised that the Finance Department is not likely to find more than Rs. 20 crores for Capital and Rs. 8 crores for (Programme) Revenue Expenditure, again re-examines the Forecasts and thereupon intimates to each Agent, about the month of August, the extent to which it now hopes to be able to meet his requirements, and instructs him to revise his programme of works on this basis.[2]

[1] We are describing the procedure now in force. The Railway Board informed us that the practice prior to 1920–21 was to inform the Finance Department of the total demand by railways before details had been scrutinized, and subsequently to go through the programmes and reduce them to the limits prescribed.

[2] We endeavoured to ascertain whether each Agent's demands suffered a *pro rata* reduction, or whether, on the other hand, priority was conceded as between one undertaking and another for the most urgent works. We were told by well-informed witnesses that, if a community is more than usually clamorous, if a district is easily accessible from Delhi, or even if an Agent is more than usually persuasive, that community, district, or Agent tends to get an unfair share at the expense of the others. The members of the Railway Board, on the other hand, were of opinion that, as in fact no project ever reaches the stage of having a prospect of money forthcoming for it till it has been discussed and re-discussed for a long series of years, they were in a position to decide with reasonable certainty as to the respective urgencies of priority. In view of the Railway Board's lack of machinery to keep them in touch with local conditions, a point with which we deal at length elsewhere, we think their opinion errs on the side of optimism.

48. A consolidated triennial railway programme of capital expenditure is at this stage compiled by the Railway Board, by combining the accepted portion of the programme for new works with the Capital figures associated with the Programme Revenue Expenditure. It is submitted to the Secretary of State for his approval by the Government of India under cover of a Despatch, sent by mail usually in November, in which they explain the considerations which have influenced them in determining the total amount, and in which they set out their proposals for financing the proposed expenditure.

49. Subject to any special modification which the circumstances of the particular year may necessitate, the programme is usually approved by him, and the figures in it are thereafter in due course incorporated in the regular budget documents. As soon as the Secretary of State's cabled approval has been received, the Railway Board communicates to each railway Agent the Provisional Grant, that is the sum which he may expect to have placed at his disposal in the ensuing financial year. It will be observed that this grant is provisional only; that it is made about four months before the commencement of the financial year to which alone it applies; and that money allotted for expenditure, as we have said, "lapses" at the end of the year for which it is granted. But important works, renewal of bridges, doubling or electrification of lines, remodelling of stations, &c., cannot possibly be completed within the year; and rolling stock, and especially locomotives, ordered in England, particularly where new designs and working drawings have to be got out, can hardly be delivered within the same period.[1]

The final grant.

50. Finally, in the last week of March, a few days before the new financial year begins, the Capital Grant, also called the Final Allotment, for that year is definitely made to each railway. The grant may or may not be the same as the provisional grant of the previous December. It may be expected to differ very substantially from the preliminary verbal agreement with the Railway Board in the autumn, and to have even slighter connection with the Agent's forecast of his actual requirements made in the previous July.

51. We give in tabular form the various stages of the process in respect of the Capital Grant for the year now current as well, for comparison, as for a pre-war year. It should be premised that the Agents had been warned at an early stage that the amount of capital available during the year 1921–22 was likely to be very seriously restricted, and that therefore their demands as set forth in the July Forecasts were already restricted to what each regarded as absolutely essential:—

—	Year 1913–14.	Year 1921–22
	Rs.	Rs.
Amount asked for by railways in the forecasts submitted in July of the previous year.	19,98,38,000	35,70,00,000
Amount approved by the Railway Board, in August	19,98,38,000	28,00,00,000
Amount provisionally accepted by the Finance Department, in August.	18,75,00,000	12,00,00,000
Budget Allotment (end March)	18,00,00,000	17,82,00,000[2]

52. On receipt of the final allotment each railway draws up the "final issue" of the Budget estimate, showing in detail each work individually costing over Rs. 25,000 (say 1,650*l.*) and submits it to the Railway Board in the course of the following month.

Revenue estimates.

53. The Preliminary Revenue Estimates for the ensuing financial year are not submitted by the Agents till about November of each year; they comprise forecasts of the probable receipts from traffic under various heads and of the probable expenditure which will be necessary to earn them. Salaries and wages, consumable stores, and day-to-day repairs are the main items of what are usually called the "ordinary working expenses," and to these is added the figure which, as will be seen from the previous pages, has independently been accepted as the

[1] In the case of expenditure in England there has grown up an elaborate system of "advance indents," in effect orders for goods which it is expected will not be delivered and be paid for until the grant for the succeeding year has been determined. This system we do not think it necessary to discuss in detail.

[2] It will be observed that in the figures for the current financial year the budget grant is considerably greater than the amount at first provisionally approved by the Finance Department. In the interval some railway agents had protested that it would be impossible for them to carry on without more money.

probable grant on account of "Special" Revenue Expenditure. This estimate, dealing as it does mainly with figures of receipts and expenditure that necessarily continue year after year, is normally accepted without much discussion by the Railway Board. The combined revenue estimates of all the railways are then forwarded to the Finance Department in December for inclusion in the Budget. On the basis of the estimates thus submitted the final budget orders are issued at the end of March annually. Each railway administration has thereupon to prepare and submit detailed and voluminous "Establishment and Authorisation Rolls" covering the whole of the expenditure chargeable to revenue, in agreement with the grants thus fixed for what has now become the current financial year. It has been made ground of complaint that the Finance Department sometimes alters the revenue estimates when submitted to it. The reply is, we think, adequate: that the officials of the Finance Department, with their long experience, their access to past records and to statistics and information obtained from many quarters and in many ways, are able to make a better estimate of future probabilities than any individual railway Agent. We do not think the existing practice in this matter, except that an unnecessary amount of detail is required, is any hindrance to efficient railway management. After all, the Finance Department only calls for revenue estimates such as would naturally be prepared for the use of the governing body in any commercial concern.

54. Apart from the successive stages of discussion and estimating already indicated, there are frequent revisions and reviews of the figures and estimates, which are necessitated mainly by the inclusion of the railway figures in the general budget of the country. The grants intimated to the railways at the end of March, that is just before the commencement of the year to which they relate, are far from being "final" except in name. Changes are frequent throughout the year; they are sometimes necessitated by developments in the railway position which lead to increased demands which could not have been foreseen, or to surrenders of funds which for one reason or another it has proved impracticable to spend advantageously within the period covered by the grant. But they are also occasioned by considerations of a quite extraneous nature; grants may be cut down during the year because the Finance Department has to meet increased demands from other departments, or they may be increased unexpectedly at a late stage in the year because of some unforeseen windfall.[1]

The system of "lapse."

55. The question of "lapse" was fully discussed by the Mackay Committee in 1908. They came to the conclusion that the objections taken to the system were largely due to misconception. They pointed out that, if to a certain railway there had been allotted during a given financial year the sum of, say, Rs. 100 lakhs for improvements and extensions, and of that sum only 80 lakhs had actually been spent, technically the 20 lakhs would lapse. But they thought that the resources of the Government of India at the opening of the new year would have been increased by this 20 lakhs surplus from the preceding year, and that they would thus be able to allot to the railway for the ensuing year 20 lakhs more than they otherwise could have supplied. The reply is obvious, not only in theory, but on the basis of actual experience: the 20 lakhs may be re-allotted to the same railway, or may be allotted to another railway, or may not be allotted to railways at all.

56. The Mackay Committee accepted the system of lapse as unavoidable, summing up the whole case in these words:—"The whole arrangement works back to the "fundamental principle that the Government of India provides as much money in "each year as it possibly can, all things considered, for expenditure on railways, "and distributes that money in the way which it conceives to be most advantageous "for the country as a whole."

57. If the matter were purely one of finance we should hesitate to disagree with the opinion of so authoritative a Committee. But we would observe that the Mackay Committee was appointed to report not on Indian Railways, but on Indian Railway Finance and Administration: and that it did not include among its members anyone with experience of practical railway management.

Need for radical reform of system.

58. In the circumstances it is perhaps permissible to say that the Committee was appointed to consider, and did in fact consider, not so much what form of financial administration was best adapted to the needs of a great commercial enterprise, as

[1] We can hardly expect that this necessarily brief summary of an extraordinarily complicated system will be sufficient for readers who desire to understand it fully. A valuable and exhaustive statement, marked Statement No. 57, furnished to us by Major-General Sir Henry Freeland, Agent of the Bombay, Baroda and Central India Railway, and formerly a temporary member of the Railway Board, will be found at page 197 in Vol. IV.

how best railway management could be fitted into the rigid framework of the existing financial system of the Government of India. We have said that we do not believe that it is possible so to fit it. We do not think that the Indian railways can be modernised, improved and enlarged, so as to give to India the service of which it is in crying need at the moment, nor that the railways can yield to the Indian public the financial return which they are entitled to expect from so valuable a property, until the whole financial methods are radically reformed. And the essence of this reform is contained in two things: (1) the complete separation of the Railway Budget from the general Budget of the country, and its reconstruction in a form which frees a great commercial business from the trammels of a system which assumes that the concern goes out of business on each 31st of March and recommences *de novo* on the 1st of April; and (2) the emancipation of the railway management from the control of the Finance Department. The primary function of any such Department is to reduce to a minimum expenditure in order to keep at the minimum the corresponding taxation. Its officials are not qualified either by training or experience to judge the essentially commercial and technical question where and when the circumstances of a railway undertaking justify bold expenditure of large sums, having regard not merely to the actual conditions of the physical machine at the moment, but to the prospects of development and the requirements of the future.

59. We think that the sentence which we have quoted above from the Report of the Mackay Committee, to the effect that the Government of India provides all the money it can and distributes it in the manner which it conceives to be most advantageous, is based on a misconception of the real position. It confuses two different things: the functions of the Government as a Government, and the functions of the Government as the owner of a great commercial undertaking. A Government as a Government always has before it many objects for which it would gladly spend money were the money available. No one will question that the expenditure of large sums on, for instance, sanitation and education would be greatly to the benefit of the people of India. Neither of these services are, however, directly remunerative. Their cost can only be met by taxation. The question for the Government is whether, especially having regard to the attitude of the taxpayer, the object is so essential and so urgent as to justify the imposition of new taxation. The railways are in an entirely different position. It is no question of new taxation. It is merely a question of allowing the railway undertaking to finance its own requirements out of its own resources and at its own time. There has been no need for many years past to call upon the taxpayer to come to its assistance. On the contrary, year after year the railway revenues have been applied for his relief. Since the beginning of the present century the Finance Member has always budgeted for a considerable contribution from the railway net revenues towards the general expenses of Government. Of recent years that contribution has been quite large. In his budget speech of March last the Finance Member complained that for the current year the contribution would be only Rs. 4 crores, which he said would not be sufficient. This contribution, be it observed, is made by the railways after they have paid their own working expenses, full interest on all debt outstanding on their account, and the further sum of about Rs. 1 crore per annum in redemption of the principal.

60. To say, as the Mackay Report does, that the Government provides such money as it possibly can is to confuse the issue. Had the Railway Budget been separate from the general Budget when that Report was written, there would have been no difficulty in providing all the money the railways needed on terms which would have secured for them a handsome profit after payment of interest on the loan. And its provision would have done nothing to check, would indeed have done much to promote, the growth of the ordinary revenue of the Government available for such purposes as sanitation and education.[1] The Indian Government is now

[1] The following extract is from a statement submitted to the Committee by a very experienced official, Sir Reginald Craddock, now Lieutenant-Governor of Burma:—

"During the decade preceding the war the various Finance Ministers of the Government of India found themselves with large surpluses from which, after making liberal grants for education and sanitation, they still had large balances left which they disposed of by the remission of taxation. To my mind they would have done very much better for the country if they had devoted those surpluses to railways and irrigation. Windfalls of this kind could best be utilised on works of capital construction, which will add to the resources of the country, from which resources again improvements in education and sanitation of a recurring nature can best be carried on. If you have a tract of country which is thinly populated and poor, but which admits of great improvement by means of railways and irrigation, you will have far greater success with your education and sanitation if you first devote your resources to the material improvement of the backward tract. To put it somewhat crudely, you must fill the stomachs of the people, and then you will have much greater success in filling their minds."

compelled—the further postponement of expenditure being impossible—to pay as high as 7 per cent. for money which before the war could have been had at or under 4 per cent.

61. We have traced, from the point of view of the Agent entrusted with the management of a great commercial undertaking, the system, and its annual progress of steady *diminuendo* from the least sum that is commercially reasonable through the various reductions made by the Railway Board and the Finance Department, culminating now and then in a *crescendo* of hasty spending to evade lapses. On the face of it, it does not look businesslike. What it means in practice to the public, which railways exist to serve, has been seen in the particulars set forth in Chapter II. of this Report.

62. We cannot but feel that the authorities ultimately responsible for Indian railway finance—how far that responsibility was located in Whitehall, and how far in India, we cannot say—have entirely failed to appreciate the position of the Indian railways as a commercial undertaking. The owner of a factory, with a record of success behind it, who found his entire output reduced and slowed down for lack of a certain new machine costing, say, 10,000*l.*, and refused to buy this new machine, saying he could not raise more than 3,000*l.* to pay for it except at a rate of interest to which he was unaccustomed, would ere long find himself in the Bankruptcy Court. And his fellow business men would say he had deserved his fate. This is in effect what has been happening in India from a date long before the war. With this difference: the manufacturer only brings down a single factory. The Indian case is that railway undertakings, in which a great capital has been invested all over the country, have been held up for lack of the relatively small new investment in new machinery required year by year to make the whole of the plant efficient and economically productive. And there is another difference. If the single factory goes down, the customers can go elsewhere to fill their wants. The unfortunate customers of the Indian railways have nowhere else to go to. They merely suffer. They are ceasing to suffer in silence.

Railway investment directly profitable.

63. How much the economic development of India has suffered, not from hesitation to provide for the future—no attempt has been made to do this—but from the utter failure even to keep abreast of the day-to-day requirements of the traffic actually in sight and clamouring to be carried, it is impossible to say. Had the Government thought fit to borrow money even at a rate considerably higher than the rate of net return that the railways could earn on it, we believe its action would have been abundantly justified.[1] But in fact the Indian Government never needed for many years previous to 1914 to face this position. A reference to the curve of net revenue given in the Administration Report on Railways in India will show that, though in the earlier years the interest on railway capital had to be met partly out of taxation, for the last 45 years the net earnings of the capital invested in Indian Railways has never sunk below 4 per cent. For the last 20 years it has only three times sunk below 5 per cent., and this result was attained though a substantial sum had been charged against revenue for repayment of capital and in spite of the fact that a not inconsiderable part of the total mileage had been built not on commercial grounds but for strategic purposes. Now the average rate payable by the Government of India on this borrowed money is about $3\frac{3}{4}$ per cent. We are unable with these figures before us to find any justification for the policy which has been persistently pursued of starving the development of Indian Railways.

Estimate of indirect profits.

64. Evidence was given to us from various quarters tending to show the indirect benefits to the economic development of the country—and this must always imply a corresponding increase of taxable capacity—to be obtained from extension of railway facilities. We have endeavoured to obtain from Land Settlement officers in different parts of the country precise figures on this point, not, however, with much success. When conditions change in the 20 or 30 years' period between one settlement and the

[1] We give extracts from Lord Inchcape's evidence before us on this point:—

"I forget what the rate of interest was 13 years ago, probably $3\frac{1}{2}$ or 4 per cent. We advocated, if I remember rightly, not to stick for 1 per cent. but to get the money and invest it in the railways. . . . We said, 'Get your money if you are going to pay another 1 or $1\frac{1}{2}$ per cent. for your railways.'"

Q. "You still hold to that view?—*A.* I am a little doubtful now that it has gone up to $7\frac{1}{2}$ or 8 per cent. . . . If I had a railway, and wanted the money, and saw the trade there, I should raise the money, even if I had to pay $7\frac{1}{2}$ or 8 per cent."

next, it is not easy to isolate a single cause and to say how much of the change is due to that single cause. But we give here not only such statistical evidence as we have been able to obtain, but also what is perhaps more valuable, the testimony of experienced officials.[1]

Settlement Commissioner and Director of Land Records, Bombay.

In Bombay our land revenue was assessed almost before the railway was thought of, and it was then assessed with reference to what was vaguely termed "the profits of agriculture." It is difficult to analyse rental value into its elements. The opening of new high roads, still more of a new railway, brings the tract within the reach of markets from which it was before separated by heavy cost of transit. This will also send up the rents and increase the number of people willing to settle on the land, and encourage them to apply capital and enterprise to its development. The following remarks apply to a few selected tracts :—

In Bijapur District the railway was opened in 1884. The district had suffered terribly from famine in 1876–77, so much so that it was almost depopulated, and not enough people were left to recommence cultivation in 1877–78. About 1884 several talukas[2] were resettled, just before the railway was opened, though in the settlement proposals the fact that the railway would be there was taken into account. For instance in Bagalkot, though its settlement was revised just after the big famine, the revenue increased 27·9 per cent., and in the settlement of 1914, 30 years after the opening of the railway, a further increase of over 23 per cent. was sanctioned. In the similar case of Badami, the assessment was increased by 15 per cent in 1884, and again by 10 per cent. in 1915. On the other hand—taking talukas which are not affected by the railway—Sindgi, adjoining Bijapur, was first settled in 1874–76 just before the famine, it was revised in 1907 and found to be still very poor, and no increase was recommended. Similarly, the assessment of Muddebihal, another taluka without a railway, was revised after 30 years in 1908, and no increase was found possible.

In the Dharwar District the railway was opened through Gadag taluka in 1884, and 22 years later the assessment was revised. In the case of villages near the railway there was an increase of from 24·6 to 27·8 per cent. The Ron and Karajgi talukas were also affected by the Madras and Southern Mahratta Railway. In Ron the assessment was revised 22 years after the railway was opened, and an increase of 30·8 per cent. was obtained. In Karajgi the increase after 33 years was only 18·5 per cent., but in this case a substantial part of the taluka lies a very long way from the railway. In the Hangal and Kod talukas only those groups fairly near the railways were enhanced.

There are, of course, instances in which tracts quite unaffected by a railway have been substantially enhanced, but there is no doubt that as a broad principle the advent of a railway is universally admitted to justify substantial increases in the rental value.

Mr. Lloyd-Jones, Agent, H.E.H. the Nizam's Guaranteed State Railway.

The total revenue of the Hyderabad State has increased from 3½ crores in 1899 to 6½ crores to-day. It is estimated that the indirect benefits accruing from the railway accounts for over 1 crore of rupees per annum. During the same period the gross earnings of the railway has increased by 98 lakhs, approximately the same figure as the estimated indirect benefit of the railway to the State. In one particular district—Nanded—the land revenue has increased from 15½ lakhs in 1900 to 19½ lakhs to-day ; this figure including only land revenue, not excise and customs. The earnings of the railway stations serving this district have increased in the same period by 9 lakhs. In addition to the land revenue of this area it is estimated that the Customs and Excise have certainly doubled in the same period. It appears from these figures that the increase of Government revenue resulting from the railway is roughly equal in amount to the increase in the gross earnings of the railways.

Mr. Townsend, Director of Agriculture, Punjab

Tahsils[2] are reassessed to land revenue every 20 or 30 years.

Number of tahsils.	Increase of land revenue at last readjustment.	Extension of railways.
9	10 per cent. or less	No extension of railways between assessments.
18	10 per cent. and less than 20 per cent.	In 5 extensions, in 13 no extensions.
29	20 per cent. and less than 30 per cent.	In 10 extensions, in 19 no extensions.
22	30 per cent. and less than 40 per cent.	In 9 extensions, in 13 no extensions.
3	40 per cent. to 50 per cent.	In 1 extension, in 2 no extensions.
25	Over 50 per cent.	24 extensions, 1 no extension.

The tahsils which show increases in assessment of over 30 per cent. are generally those in which canal irrigation on a considerable scale had been extended in the interval. In itself this is a more important factor in deciding what assessment land can pay than is improvement in railway facilities. But the latter comes high on the list of these factors.

So far as these figures go, they certainly show that improved communications send up prices, thus causing the agriculturist to get a better price for his produce and to pay a heavier assessment to Government. This is indeed a commonplace of revenue administration and reassessment in the Punjab.

Sir Reginald Craddock, K.C.S.I., I.C.S., Lieutenant-Governor of Burma.

The railways of India have conferred an immense benefit upon the people and have proved a very valuable asset to the State. The actual return which they have given in direct earnings upon the capital invested has been a very small part of the benefits enjoyed by the country as reflected in the revenue returns.

[1] Statements bearing specially on this point will be found at pages 345 *et seq.* of Vol. IV.
[2] Talukas and tahsils are both sub-areas of a district.

One has only to look at the expansion of the revenues of the country since railways were constructed, and to imagine what would have happened if they had not been constructed, to realise this.

In earlier days Government was somewhat bolder than it is now in these matters, and there are many important lines in India which might never have been constructed if the test had been the immediate net earnings of the project undertaken.

Khan Bahadur Adarji Mancherji Dalal, President, District Local Board, Broach.

The Broach-Jambusar Railway, which was built some six or seven years ago, after nearly 40 years of pressure for its construction, resulted in a great improvement of land revenue, and trade has become much more prosperous in that part of the country through which it passes, while famine conditions are rarer.

The Broach-Jambusar Railway was opened in 1913-14 and it taps the talukas of Jambusar, Amod, Wagra and part of Broach.

In all departments a noticeable and healthy advancement is made, such as income tax, excise, stamps, land revenue, and area under cultivation.

In regard to relieving distress during famines and scarcity years, comparative statistics are not available, but as I have been associated with campaigns of relief measures since 1877-78 I can emphatically say that had this railway not been built the severe famine conditions of 1918-19 would have resulted in appalling mortality of cattle and human beings which was wholly absent—because of the facilities for transporting grass and fodder for cattle and food for human beings in this tract.

In regard to vital statistics and sanitary improvement, reliable data are not available, but the improvement in the economic conditions of the people by facilities for quick locomotion has taught the people to avail themselves of medical relief.

The Agent of the Assam-Bengal Railway.

An examination of the graphs (not reproduced) for Chittagong, Noakhali and Tipera districts, which are the most important of those through which the railway passes, indicates a distinct rise in the revenue curve following the opening of the railway. In the case of the Sylhet and Cachar districts this rise is particularly noticeable and also in that of the Sibsagar district.

Survey and Settlement Department, Government of the Central Provinces.

A rise in the prices of agricultural produce, as a matter of course, always follows the opening up of a district by rail.

Mr. D. M. Stewart, Deputy Commissioner, Gorakhpur District, United Provinces.

I consider that a suitable standard of the benefit conferred by the railway construction can be obtained by a comparison of the rate of enhancement of revenue in the Northern as compared with the Southern and Central tahsils. Now, in the case of these latter, while the rate of enhancement is somewhat under 40 per cent., in the case of the Northern tahsil the final enhancement of revenue is close on 70 per cent. The difference between the enhancement actually made in the Northern tahsil and that which would have been obtained on the same scale as in the other two tahsils is no less than Rs. 130,000, and when other influences are eliminated it would appear that one would be justified in saying that the introduction of railway communications into the neighbourhood of this tract had certainly resulted in an enhancement of the Government revenue in this tahsil by not less than one lakh of rupees.

Sir T. R. Wynne, Managing Director of the Bengal-Nagpur Railway Company, and late President of the Railway Board.

General revenues are largely increased by the indirect results of constructing railways in India. For instance, railway construction increases the sale of salt, which brings in revenue to the Imperial budget; it increases imports on which the Customs revenue benefits; and it increases land revenue. As an instance, before the Bengal-Nagpur Railway was built the Sambalpur district was a land-locked area, where rice and other grain could be had for the asking, as there was no means of export. Knowing that the railway was being made the authorities felt justified in raising the land assessment very considerably, and this was done to the extent, in some cases, of 300 per cent.

Sir John Hewett, late Lieutenant-Governor of the United Provinces.

Sir John Hewett expressed the opinion that the introduction of a railway into a district must inevitably tend to an increase and a growth of land revenue. He agreed with the view of Sir Reginald Craddock, that instead of trying to take revenue from the railways for the purposes of sanitation and education it should be used to build up the railways, thus leading to the production of a much larger revenue that could be so applied. He held that the country should be developed so as to be able to bear taxation for purposes such as sanitation.

65. We are aware that those responsible for Indian finance are impressed with the idea that borrowing must be restricted lest the rate of interest be advanced, and the credit of the Government of India be thereby impaired. Speaking with all modesty on a matter on which the bulk of the Committee have no expert knowledge, we are unable to agree. So long as the solvency of the borrower remains unquestioned, all experience shows that the rate of interest the borrower has to pay depends not on the amount of his borrowing, but on the market value of money at the date of the issue. First-class English railway debentures are quoted to-day at, roughly, two-thirds of their pre-war price. The companies have not borrowed in the interval; the security

of the debentures remains unquestioned; it is only the value of money which has changed.

Comparative borrowings, India and elsewhere.

66. India has a population of 300,000,000. It has an area of 1,800,000 square miles, and it is under the British Flag. Argentina has a population of 8,000,000, an area of 1,150,000 square miles, and it is not under the British Flag. At the time when the Mackay Committee reported that it might be possible to borrow up to 9,000,000*l.* per annum in the London market for the extension of Indian Railways, the Argentine railway companies were raising money in the same market at an average rate of about 11,000,000*l.* per annum, solely on the security of the railway earnings; and the credit of the Argentine railway companies was not impaired. We are not aware that there has been any suggestion that the Argentine railways were extended with undue haste. India has, as we have said, a population of 300,000,000. It has to-day 36,700 miles of railway. In railway mileage it stands intermediate between Canada, with 39,000 miles for a population of 8,000,000, and Australasia with 29,000 miles for a population of 6,000,000. We cannot believe that India would have occupied so humble a position had the railway management not been fettered by a policy which has constantly restricted the raising of new capital for improvement and development.[1]

Inadequacy of maintenance and renewals.

67. That the railway development and therefore the economic development of India has been starved, is not the only charge which we are compelled to bring against the system of financial control to which the railways have been subjected. It might have been expected that control purely from the financial point of view would at least have resulted in correct and unimpeachable financial orthodoxy. This has not proved so in practice. We have spoken above of the "Programme" expenditure and the method by which its amount is determined. Now in every commercial concern Capital expenditure and Revenue expenditure are constantly intermixed. And a prudent board of directors, especially when the concern which they are managing is prosperous and paying substantial dividends, takes very good care that Revenue is debited with its full share. The principle is clear that by the time the useful life of an asset or a building has expired, its full original cost should have been written off out of Revenue.

68. This has not been the case on the Indian Railways. There are scores of bridges with girders unfit to carry train loads up to modern requirements; there are many miles of rails, hundreds of engines, and thousands of wagons, whose rightful

[1] Through the courtesy of the Editor of the *Economist*, we are able to give the following table of the money raised in the London market in the years preceding and following the issue of the Mackay Report by the Argentine, Australasian and Canadian Railways and Governments. The corresponding figures relating to India have been furnished by the India Office.—

Borrowings in London by Railway Companies and Governments.

Year.	Argentina.			Australasia.	Canada.			India.		
	Railways.	Government.	Total.	Government.	Railways	Government.	Total.	Railways.	Government.	Total.
	£	£	£	£	£	£	£	£	£	£
1900	925,100	Nil	925,100	4,076,000	1,380,000	Nil	1,380,000	3,237,000	5,357,000	8,594,000
1901	4,465,000	Nil	4,465,000	11,146,400	1,152,600	432,500	1,585,100	3,021,800	971,500	3,993,300
1902	3,166,200	Nil	3,166,200	7,146,300	255,500	336,000	591,500	2,570,000	1,018,700	3,588,700
1903	732,500	3,683,800	4,416,300	1,901,200	4,065,600	Nil	4,065,600	−80,000	−20,100	−100,100
1904	3,331,200	Nil	3,331,200	3,850,000	4,086,800	611,000	4,697,800	2,403,700	892,800	3,296,500
1905	11,896,600	Nil	11,896,600	3,341,000	11,519,400	374,900	11,894,300	1,401,200	11,138,100	12,539,300
1906	10,585,200	Nil	10,585,200	1,990,000	6,923,500	1,182,000	8,105,500	−303,000	1,892,600	1,589,600
1907	9,802,700	2,515,500	12,318,200	1,658,700	1,726,100	1,500,000	3,226,100	2,240,700	8,518,300	10,759,000
1908	13,257,100	Nil	13,257,100	2,667,000	13,355,500	5,934,900	19,290,400	5,238,800	10,335,600	15,574,200
1909	11,948,000	3,532,900	15,480,900	9,517,400	8,060,500	9,892,900	17,953,400	2,404,900	9,069,600	11,474,500
1910	12,240,000	2,232,600	14,472,600	10,029,600	6,425,900	11,755,000	18,180,900	44,300	4,200,800	4,245,100
1911	10,025,000	Nil	10,025,000	1,950,000	19,608,300	505,000	20,113,300	−40,000	1,855,100	1,815,100
1912	9,226,700	Nil	9,226,700	10,541,100	7,971,600	970,000	8,941,600	495,000	2,248,900	2,743,900
1913	6,077,500	1,324,900	7,402,400	13,910,200	9,491,000	7,893,600	17,384,600	4,552,800	−500,000	4,052,800
1914	8,903,500	Nil	8,903,500	16,980,500	18,502,600	15,199,600	33,702,200	3,882,600	6,500,000	10,382,600

(The figures show the actual money raised, not the nominal amount of the issue. Issues made to repay maturing obligations are excluded).

For the 15 years the respective averages of the three countries are:—

	£
Argentina - - - - - - -	8,658,133
Australasia - - - - - - -	6,713,693
Canada - - - - - -	11,407,486

For India the corresponding average figure is £6,303,233.

date for renewal is long overpast. Their cost has not been written off.[1] They stand in the books at the original figure. The Government has formed no replacement reserve. It is not now physically possible within a short period of one or two years to replace all the plant of which the economic life is exhausted. If it were possible, it would be a burden upon current revenue too heavy to be borne without upsetting the normal railway finance. The position due to the unwise methods of the past must be redressed gradually. It will never be redressed under the present system of programmes and annual grants and lapses, but only when commercial accounting methods are introduced in the management of a commercial undertaking.

69. In our judgment, a financial system which produces these results stands self-condemned. We are far from desiring to suggest that blame attaches to the distinguished men who have held office for years past both at the India Office and in the position of Finance Member of Council or to the able and conscientious officials who have served them. From one point of view at least their financial management can be described as meritorious. Throughout history the capital which has been put into the Indian railways has been raised by entirely honest and straightforward methods of finance. The booked capital outlay of these railways, so far as we are aware, represents nothing but sovereigns and rupees actually put into the property. We have nowhere found any trace of what is commonly called "water." We doubt whether any other great railway system, with so long a history behind it—the pioneer company, the East India Railway, has just issued its one hundred and fiftieth half-yearly report—could say as much. Further, on the whole such capital as has been provided has been economically spent. After making all allowances for low cost of Indian labour, for the generally easy nature of the country, and for the under equipment of the lines, on the one hand, and for the high cost of imported materials and the large amount of very expensive bridge work on the other, we think the capital cost per mile of the Indian railways must be regarded as very moderate. But the faults on which we lay stress outweigh the merits, and in our judgment they are inherent in the existing financial system. Railway management is a highly technical business. It should be placed in the hands of those who understand it. It has little in common with the raising of taxation on the one hand or with the control of the expenditure of ordinary Public Departments on the other.

70. The Great War is an explanation, if not an excuse, for many practices which no one would defend under normal circumstances. We cannot think that even the war is sufficient to explain the treatment of Indian railway revenue in the last few years. Till quite recently India produced hardly any of the supplies that her railways require. Locomotives, carriages, wagons, or at least their component parts, rails, signalling work, bridge work—all were imported from Europe. Even now India produces only a very small part of what she needs. At an early stage of the war it became difficult to obtain from Europe the customary supplies. Later on it became practically impossible. The inevitable result was that maintenance and renewals fell seriously into arrears from 1914 to 1918, as is shown by the percentage of expenditure on programme revenue works to gross earnings:—

1913–14	6·1 per cent.	1916–17	3·3 per cent.
1914–15	5·7 "	1917–18	2·1 "
1915–16	4·6 "	1918–19	2·4 "

(*Evidence of the Accountant-General, Railways, Vol. III. para.* 6512.)

71. Obviously the expenditure was only postponed, and had to be faced later on. An ordinary commercial concern would, as a matter of course, have carried the money so underspent to a reserve for renewals, to be spent when the materials were again available. The independent railway companies did this. Not so the State. The money was treated as part of the ordinary revenue of the Government in the year in which it was not spent, with the result that the net profits of the State railways are shown in the official returns as having risen steadily from 4·54 per cent. in 1914 to 7·07 per cent. in 1918–19. The apparent gain was not real. Had there been a separate railway budget the money underspent would have been earmarked in it as advanced to the Government for general purposes. It was indeed announced at one time that a reserve was being made, or would be made. The end of the war has come, and the money is not there; other liabilities had been too strong for the Diversion of reserves.

[1] A full statement as to the position of one guaranteed company, the Great Indian Peninsula, was furnished to us. The figures, quoted in para. 5606 in Volume III., show that the policy of undue postponement of revenue renewals, which in fact has meant taking as net revenue money that should properly have been treated as working expenses, is of long standing and not merely the result of the exigencies of the war period.

Government of India and so the reserve fund vanished. The railway machine is in urgent need of repair, and funds to put it right are not forthcoming. The position at present is this: maintenance is lamentably in arrears. The cost of materials of all kinds is far above pre-war level. Wages likewise have advanced steeply.

Need for increased rates and fares.

72. Indian railway rates and fares have always been among the lowest, if not actually the lowest, in the world. They have only been advanced in the last few years very slightly as compared with the rest of the world. A general and substantial increase is overdue. Witnesses from all parts of India have agreed in recognising that rates and fares should be increased, and saying that they will be ready to pay the increases, provided a reasonably efficient service is given in return. One of the most important railway companies applied many months ago to the Railway Board for permission to increase its rates beyond the maximum hitherto authorised. It met with a refusal.

The surtax on traffic and objections to it.

73. In March the Finance Minister presented his budget to the Legislative Assembly at Delhi, showing on the basis of the then existing taxation a deficit of over 19 crores. He pointed out that the State railways, after defraying working expenses and all interest and sinking fund charges, would only contribute towards the general expenses of the Government 4 crores as against nearly 16 crores in 1918–19. This was not sufficient. To increase railway rates would, he said, take time, and the matter was urgent. As to the urgency we agree. For the statement that "it is not possible "to readjust the various rates in time enough to give us the money we need during the "next financial year" only a perfunctory, and in our opinion an inadequate, reason was given. The feat has certainly been accomplished during or since the war in almost every other country in the world. He accordingly proposed, not to increase the railway rates—the proceeds of which would naturally have gone in the first place to the railways, and which, at a time when the general revenue owes to the railways the many millions diverted from them during the war, should certainly have been retained for railway purposes—but to increase the small existing surtaxes on railway goods traffic, which had been introduced only as a war measure, to an extent estimated to amount on the average to 12½ per cent. of the freight on the goods, and to produce, not for the railways, but for the general expenditure of the country, an additional revenue of Rs. 5½ crores. The proposed surtaxes have, we understand, been considerably modified as the result of discussion in the Council of State (the Indian Upper House); but they still remain as surtaxes, and in our judgment any such tax, whatever the amount, is bad in principle. All economists agree that taxes on transport are an undesirable method of raising revenue. There is a further and very serious objection to imposing a surtax on railway receipts instead of increasing railway charges which is peculiar to India—that it is unfair to the shareholders of the Companies which divide profits with the Government. Had the railway rates been raised the Government would have taken, in the case of the Guaranteed Companies, about nine-tenths of the additional net revenue. But the shareholders would have obtained, what they are unquestionably entitled to, the remaining tenth. As it is, the Government takes the whole.

Need for separate railway budget.

74. We now proceed to discuss the manner in which reform should be carried out. At the outset we wish to disclaim any idea that the railway organisation should be independent, an *imperium in imperio*. This is quite out of the question. The Indian Government owns the railways; the Indian Government must control them. But that is no reason why the control should take the form which is found suitable in respect of other departments of the State. What we propose is in outline that the railways should have a separate budget of their own and assume the responsibilities for earning and expending their own income. The first charge on that income, after paying working expenses, is interest on the debt incurred by the State for railway purposes. The amount of this debt is known—we may call it roughly 252,000,000*l*. The annual liability of the Indian Government for the interest is 8,700,000*l*. Whether the railways should pay precisely this amount, or a larger amount, in consideration of the fact that in early years taxation had to be imposed to meet that portion of the interest which the railway receipts did not then cover, or a smaller amount, in consideration of the expenditure which the railways have since incurred for non-railway purposes, is a matter for argument. We have no wish to express a positive opinion, though we think there is much to be said for letting bygones be bygones and fixing the payment to the Government at the same sum that the Government has itself to find at the present time for interest on the railway debt. The point is that the Railway Department,

Government control must remain.

subject to the general control of Government, once it has met its liability to its creditors, should itself regulate the disposal of the balance, and should be free to devote it to new capital purposes (whether directly or as security for new debt incurred) or to reserves or to dissipate it in the form either of reduction of rates or improvement of services.

75. We have expressed our own view that the only payment by the railways to the general Exchequer should be the interest at a fixed rate on the capital advanced. But we desire to point out that this is not necessarily involved in the separation of the railway budget. It would be possible, however undesirable, for the Government to impose a surtax on railway traffic such as is now in force, or even to call upon the railways for an emergency contribution to the necessities of the State. Neither method would involve interference by the Finance Department with the Railway Department's control of its own internal finance.

76. Naturally, the steps taken to raise new capital and in general the large questions of policy must continue to be controlled by the Government, *i.e.*, by the Viceroy's Council and the Legislative Assembly, and in the last resort by the Secretary of State and the House of Commons. But there must be a Member in charge of railways, taking part in the Council deliberations, and able to discuss with his fellow Members railway questions equally where they concern finance as where they are management questions proper. Under the new constitution the Budget is to be voted by the Legislative Assembly. This right must, of course, be preserved. But there is no reason why the Railway Budget should not be submitted by the Railway Member as an annex to the general Budget instead of by the Finance Member himself. Even in England, though departmental estimates have to be approved by the Treasury, and the Treasury control over them is undoubted, the estimates for the War Department are submitted to Parliament, not by the Chancellor of the Exchequer, but by the Secretary of State for War.

77. Though the Mackay Committee did not allude to the fact, the question of the separation of the railway finance from the general finances of India was discussed as long ago as 1899, during the Viceroyalty of Lord Curzon. Colonel Gardiner, then in charge of the Public Works Department, to which at that time the railways were attached, proposed in a Minute dated the 16th October 1899 and forwarded to the Secretary of State on the 29th March in the following year:— **History of separation question in India**

"that the financing of the Public Works Department should be a distinct branch of the Imperial finance, that the capital borrowed for it should be earmarked, and that the amount to be raised should be regulated on a commercial basis depending (subject to the general condition of the possible effect on the credit of the country looking to whatever other borrowings may be necessary and may be considered of prior importance) on the amount it is desirable to spend (*a*) in developing the country, and (*b*) on meeting the requirements of already developed and paying projects. . . .

"I am unable to see the objections to the proposed departure from the present practice, nor so far have I heard any of the arguments there may be against it. The only objection I have heard raised is the general, and it seems to me rather doubtful, objection that it is a new departure."

78. Lord Curzon, on the 18th February 1900, in a Minute which was also forwarded to the Secretary of State with the above, wrote:—

"The system under which our railways are now financed seems to me to be a faulty system, and to be fatal to development at the very time when development may be most needed. As long as the system continues, the Finance Department have no alternative but to adopt the attitude, *e g*, that they have done with reference to next year's programme. But neither their orthodoxy nor the stern compulsion of immediate facts makes me any more in love with a system which renders our railway policy wholly subordinate to the exigencies of our general financial position."

79. Another Minute was also sent, prepared jointly by Lord Curzon and the Hon. Sir A. C. Trevor, then Member in charge of the Public Works Department, of which the following is an extract:—

"By that time we hope the way will be clear for the adoption of measures for the separation of moneys raised or granted for productive works from the general finances of the Empire and for their future administration on the lines indicated by Colonel Gardiner, with whose views we are in substantial accord."

80. The Secretary of State, however, expressed the opinion that, as long as the railways depended for money on the Government, they must share in the vicissitudes of the public finances.

81. The question was again raised by Sir John Hewett, the Commerce Member of Council, in 1906. Sir John only occupied this office for a short time, being appointed Lieutenant-Governor of the United Provinces in 1907. Unfortunately no trace of the draft minute prepared by Mr. Harvey, then Secretary in the Department, but who died shortly afterwards, can be found. Sir John, however, has been good enough to give evidence before us and it appears that his proposal was substantially the same as that made by Colonel Gardiner and that he has not changed his views as to the desirability and practicability of adopting the course which he then advocated.

Its history in other countries.

Prussia.

82. The question of the separation of the railway finances from the general Budget of the country has quite a long history in other countries. When Bismarck nationalised the railways in Prussia in or about 1878, the scheme as originally put forward provided for a separate railway budget. But when the scheme came to be embodied in an Act, this provision was omitted. Its absence was a constant ground of complaint by Liberal members in the Prussian Parliament. The common phrase was that the railways were treated as "the milch cow of the Treasury." The Prussian bureaucrats, who appreciated the advantages of possessing an income, which in some years ran as high as 20,000,000*l*., non-votable by Parliament, were too strong for the Prussian Liberals; and the milch cow remained in charge of the Treasury up to the outbreak of war. It was not denied, however, that the sharp variations in receipts between years of good and years of bad trade introduced an undesirable element of uncertainty into Prussian public finance.

Switzerland.

83. The Swiss people voted in 1908 to nationalise their railways. The Purchase Act provides—and it was common knowledge at the time that the provision was the result of Prussian experience—that "the railway accounts shall be kept separate from "the other Federal accounts so that the financial position of the railways can at all times "be clearly ascertained, and that railway earnings shall be devoted only to railway "purposes." The control of new railway capital issues, of railway tariffs, and the voting of the railway budget, are reserved to the Swiss Parliament. Any surplus of railway revenue, after meeting working expenses, interest and sinking funds, is devoted to railway purposes. Should the revenue fall short of meeting expenses, the deficit is to be met by the State. The railway budget is compiled by the Railway Board of Management and submitted to the Council of Ministers. The Council, after discussing it with the Railway Minister, forwards it with a covering report to the two Chambers. In each Chamber it is referred to a special Committee and thence reported to the full body. If in either Chamber further information is required, the Railway Minister gives it. Very rarely are the proposals of the Budget altered by the Chambers.[1]

Belgium, Italy, France.

84. In Belgium there has never been a separate railway budget, and for years past there has been an agitation in Parliament for a reform in this respect. A Bill carrying out this object, at least in some degree, has been prepared as the result of a Committee Report and submitted by the Government to the Chamber of Deputies. It is at present under discussion. It is criticised, however, on the ground that it does not go far enough and still leaves the Government too great powers of interference. In Italy the railways have a separate budget. In France the budget of the railways which are worked by the State is treated as an "annexe" to the general budget.

South Africa.

85. The Act constituting the South Africa Union, which brought together Cape Colony, Natal, the Transvaal and the Orange River Free State, each with its own railway system, provides that the railways of the Union shall be so worked that the gross receipts shall not be more than sufficient to cover working expenses, reserves, and the interest on capital. If there is a surplus, it is to be devoted either to improvements in facilities or reduction in rates. If, on the other hand, there is a deficit, rates and charges shall be increased to cover it. It is specially provided that, if Parliament shall require the Railway Commissioners to fix rates or to construct new lines or extend facilities which in the opinion of the Railway Commissioners will

[1] We are indebted to the courtesy of the Swiss Railway Administration for the information on which this paragraph is founded.

not be commercially justifiable, the Commissioners may appeal to the Auditor-General, who, if he agrees with their opinion, may demand that Parliament shall vote to the Commissioners such a sum as in his judgment is sufficient to meet the cost of the requirements of Parliament.

86. In Japan, also, the railway budget is entirely separate. The official Report of the Japanese Government, dated May 1919, sets out so clearly the grounds for the separation of the two budgets, the gradual process by which it was accomplished and the benefits which have resulted from the reform, that we quote it here at full length:— Japan.

"According to the established rules that govern the framing of the Imperial Budget, an undertaking carried on by a Government office is set apart as a special account, the earnings of which are, in principle, to meet the disbursements. Any balance accruing is to be turned over to the General Account. The finance of the Government railways before the nationalisation was no exception to this general arrangement. Hence, any surplus of the total receipts over the total expenses was surrendered to the Treasury, instead of being placed at the disposal of the railways. On the other hand, all expenses involved on the work of extensions and improvements were met by the proceeds of loans or of taxation. Railway Special Account Act, 1909.

"This accounting system was modified in 1906, and the new method was put into force from the fiscal year 1907–8, when a new *régime* came into being with the suddenly expanded business of the railways, in consequence of the State acquisition of the 17 private railways. According to this system, all the money already invested, or to be invested, in the railways (together with interest thereon computed at 5 per cent.) from the inception of the railway service to March 1907, less the sum surrendered to the Treasury during the period, was set apart as railway debt. The distinction between the capital and the revenue accounts was clearly established, and the annual revenue was divided into two parts, one destined for the payment of interest on the liabilities and the other for the redemption of the principal.

"The revision of 1906 placed the net revenue accruing from railway operation beyond the disposal of the Treasury, and was undoubtedly a great improvement on the superseded system, but it effected nothing in the way of putting the Railway Budget on an independent footing, so far as concerned the financing of railway extensions and improvements. They were open, as before, to the influences of the variable financial situation of the State.

"The complete divorcement of the Railway Budget from the General Account, with a view to removing this perennial cause of uncertainty in the continued prosecution of the programme, was brought about in 1909 by the promulgation of the Railway Special Account Law, which has continued in force down to this day.

"In consequence of the drastic renovation effected in its financial arrangement in 1909, as outlined above, the Railway Account has become a special account entirely distinct in its essential features from the General Account. It is needless to add that this financial independence has given very great conveniences and facilities in the management of the Imperial Railways, as, indeed, it has made the railway finance one of special character among all the special accounts created by the Imperial Treasury. In short, the change has made the railway finance a financial agency specially adapted for the management of railway business."

(Railway Nationalisation in Japan.)

The position of the Japanese railways under the Act of 1909 may be summarised as follows:—

(1) The railways have a separate Capital Account.
(2) Railway profits are devoted to extensions and improvements, and may be supplemented by Government loans.
(3) The whole of the loans issued for railway purposes are charged against the railway account, and the railways pay over each year to the National Debt Consolidation Fund the money required for interest and sinking fund on these loans.
(4) Temporary advances may be made by the Treasury if required to meet railway current expenses.

87. We have still to make recommendations as to the raising of railway capital in the future. Those Members of the Committee who consider that State management should be definitely adopted as the permanent policy for India naturally contemplate that capital will in future be raised wholly by the State. Those Members, on the other hand, who think that Indian companies should be constituted will equally naturally make recommendations as to the method of raising such portion of the capital as the new companies will be responsible for. We therefore postpone the consideration of this matter to a later stage of this Report and now proceed to discuss the further questions on which the opinion of the Committee is unanimous.

CHAPTER IV.

The Constitution, Status, and Functions of the Controlling Authority.

88. Our Reference instructs us to report upon the constitution, status, and functions of the body exercising control over the railways on behalf of the Government. We have given this matter our best consideration. We had the benefit of long discussions at Delhi with the members of the present controlling authority, the Railway Board. And of all the witnesses who appeared before us there were few who did not offer criticisms and make suggestions on the subject. As the result of our investigations we recommend great changes alike in the constitution, the status, and the functions of the Railway Board. But before proceeding to make them we wish to emphasise what we have indicated in Chapter III. of the Report, that in our judgment the controlling authority must be single and self-contained. The recommendations which follow are based on the assumption that the railway authority is master in its own house, not sharing its responsibility with any other department, but answerable directly through its own chief to the Governor-General in Council and the Legislative Assembly.

Financial importance of railways.

89. We have been impressed with the disproportion between the importance of the railways financially and economically, and the position which the existing Government organisation assigns to the Department charged with their administration. The Government railways, as we have said, bring in one-third of the total Government receipts. Their working expenses amount to about one-quarter of the total Government expenditure. Their net receipts cover not only the interest on the total railway debt incurred by the Indian Government and a substantial contribution to sinking funds,[1] but leave a substantial sum over in relief of general taxation. In the Budget Statement, however, the railways occupy a much more modest position.

90. The estimate for the current year enumerates 10 "principal heads" of revenue. The total amount estimated to be obtained under these 10 heads by the Central Government is Rs. 69½ crores. Of the principal heads, six bring in less than one crore. Down below the principal heads in the Statement come the railways. Their net receipts are stated at Rs. 27¼ crores. Customs, estimated to yield Rs. 37¾ crores, forms the only item in the Budget exceeding the railway net revenue in importance. We give this as an illustration, for it appears to us typical.

Subordinate administrative position.

91. Administratively the railways are only regarded as of sufficient importance to be entrusted to the control of a Member of Council who takes his title from his other functions. In former years they were in charge of the Member for Public Works; of recent years their administration has been one of the functions of the Member for Commerce, who (except for a brief interval during the past year or two) has also been in charge of Industries. The responsibility of the Member in charge of Railways for their supervision has certainly been in recent years more nominal than real. There has been furnished to us a list of the subjects which were assigned to the Department of Commerce. It is as follows:—

> Company Law; Customs; Excise; Shipping; Posts and Telegraphs; Emigration; Indian labour questions such as Assam migration; Peace Treaty affairs such as collection of debts and other matters relating to enemy firms.

92. The Department of Industries is responsible, in addition to the general subject of the development of industries, for controlling the Indian Salt Department, the Geological Survey, Stationery and Printing, Patents and Designs; the administration of the Factories, Mines and Electricity Acts; and other miscellaneous subjects.

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[1] The annuity payments made to the shareholders of the original East Indian, Great Indian Peninsula, and Madras Railway Companies, up to the end of the year 1920–21, included not only the interest on the capital outstanding but the redemption of 17,467,953*l.* of capital.

93. Having regard to their number, their diversity, and the delicacy of some of the subjects—as, for instance, Indian emigration, and the rapidly growing importance of others such as the development of Industries—which must necessitate the Member's attention at every stage, it is quite evident that the Member for Commerce and Industry cannot personally keep in touch with the railway business which he nominally supervises. In fact, it is hardly expected that he will do so; for while he controls the Commerce and Industries Departments each through the normal departmental organisation of a Secretary to Government at the head of a clerical staff, on the railway side there is a Board of three Members which occupies a position of what may be called semi-independence.

94. Briefly the administrative position is this. The ultimate authority for the Government of India rests with the Secretary of State as representing the House of Commons. He delegates to the Governor-General in Council—commonly spoken of as the Government of India—certain powers, reserving others, a matter with which we shall have to deal more fully at a later stage. The Government of India in turn delegates some, or some portion, of these powers to the Railway Board. Official communications from the Board are headed—

Government of India (Railway Board), Railway Department.

Within the scope of these powers the Railway Board are free to act, subject always to the Finance Department. Even in cases beyond the Board's powers of sanction they frequently make references to the other Departments concerned without troubling their own Member, though if any decision is likely to have far-reaching consequences the Board are expected to refer to him before acting. Cases which are likely to engage the attention of the Executive Council must necessarily be taken to the Member, for while the President of the Board has the status of a Secretary to Government, and therefore the right of direct access to the Viceroy, he cannot take part in discussions of the Council, attending there only to give information and explanations when called upon.[1]

95. Now the natural effect of the interposition of this semi-independent Board is that the Member responsible for it is not in constant touch with its work. When questions which have to be submitted to the Council are brought to him, it is necessary for the Board to "coach" him. He may not agree with them, and yet may hesitate to override those much more conversant with the matter than he can possibly be. Even if, after hearing the case as put forward by them, he does agree with them, he can only deal with the matter, which may be highly technical, before the Council with second-hand and incomplete knowledge. It would, moreover, be in accordance with human nature if he supported a policy not his own less resolutely than a policy of the side of the office of which he is the real and not merely the titular head; and if, when the Railway Board's proposals met with serious opposition at the Council, he attached more weight to the arguments of colleagues, with whom he is in constant and intimate relations, than to those of a Board which brings before him, not their everyday work, but only such portions of it as are important and likely to be contentious. The Railway Board is in effect in the position of a stepchild, and, like most stepchildren, tends to be less well treated than the other children of the family. We are convinced that the Indian railways will never be able to give a satisfactory account of themselves, to earn the revenue which they should earn, and to render to the public the service which they ought to render, until they are represented in the Viceroy's Council by a Member who is fully in touch with their daily work.

96. Were there no other way of securing it we should feel constrained to urge that this representation should be provided by the appointment of a Member of Council solely for railways. But we do not think it necessary to recommend this.

[1] A Secretary to Government corresponds to an English Permanent Under Secretary in that he is the official Head of his Department under the Member of Council, that is the Cabinet Minister, responsible for it. But his status is higher than that of a Permanent Under Secretary in that he has direct access to the Viceroy—in effect the Prime Minister—with whom he has a fixed meeting once a week, and to whom he is entitled to express, if he thinks fit, his disagreement with the policy of his chief. If the Viceroy thinks proper, the full Council can then be invited to discuss the matter in question. Further, under the new Constitution he is a nominated Member of the Council of State or of the Legislative Assembly, where he speaks and votes on a footing of full equality with the other Members. A Secretary to Government, however, attends meetings of the Executive Council of the Governor-General only to give information if called upon to do so, and to record decisions.

Proposed Member of Council for Communications.

97. All we ask is that there shall be a Member of Council in constant touch with railway affairs, and who feels that railways are entitled to his full attention. And this can, we think, be secured by a rearrangement of work among the Members. Within the last few months the number of Members of Council has been reduced by recombining Commerce and Industry. We recommend that the former number be restored, and that there be a Member of Council in charge of Communications, whose portfolio should comprise Railways, Ports, and Inland Navigation, Road Transport (so far as it is under the control of the Government of India) and Posts and Telegraphs.[1] Perhaps in making this recommendation we are going beyond the strict terms of our Reference, which is concerned only with railways, but the connection of railways with other forms of communication is so close that we think we are entitled to make it.

98. The advantages of a close relationship between railways, ports, water transport and road transport are obvious. They need correlation by a common controlling authority; they are feeders to each other, but at the same time their conflicting interests as carriers necessitate expert supervision and protection: all methods of transport are necessary for the development of India, and all new schemes, whether for transport by rail, road or water, require to be considered by the same authority as a part of a well-ordered general programme. Only Imperial questions connected with road transport would, under our scheme, come under the immediate supervision of the Ministry, local road questions being left, as now, to local authorities.

99. The only connection at present even between the railways and the ports which they serve is through the Member of Council who is common to both. The Departments that deal with them are separate. And in many respects the ports are subject, not to the Central Government at all, but to the Local Governments. All the witnesses whom we examined on this point agreed that there were strong reasons for a change. One instance will suffice. The Calcutta Port Authority are undertaking the enlargement and re-equipment of their Kidderpur Docks to accommodate the rapidly growing traffic. They have in contemplation a large scheme involving the expenditure of many millions. They are also adding to the accommodation of their port railways. The lay-out of the docks cannot be settled till it has been decided how much of the necessary siding accommodation is to be provided respectively by the railways on railway property and by the Port Authority on dock property. The Port Authority cannot be certain what coal-tipping appliances to order till it is settled what form of coal wagons the railways will use. The railways, on the other hand, cannot be certain that the appliances will be suitable for their wagons. There is no machinery for bringing together the various parties in interest, still less for deciding when the parties differ. The Department of Commerce, the Railway Department, two Railway Companies, the Calcutta Port Authority and the Government of Bengal, all are involved and take a hand in the decision.

100. The necessity for close co-ordination so as to dovetail together the work of the docks and the railways that serve them has long been recognised in England. In recent years—not without hesitation as to the propriety of strengthening railway monopoly—Parliament has allowed railway companies, in order that the two services might be in one hand, to acquire the docks in the first-class ports of Southampton and Hull. Still more recently, private arrangements have secured the same result in the great port of Cardiff. And the Ministry of Transport Act, 1919, gives to the Minister considerable powers to co-ordinate the facilities and methods of working between railways and such dock undertakings as are still independent.

101. Posts and Telegraphs are not so intimately connected with transport as the other services mentioned above, but the connection is at least closer than with the subjects in charge of any other Member, on account of the carriage of mails by railway and road and the telegraph practice which is common to both.

[1] After we had come to this conclusion the India Office furnished us with a memorandum setting out the scheme for the rearrangement of portfolios recommended by the Committee on the Government of India Secretariat Organisation, presided over by Sir Hubert Llewellyn Smith. The other arrangements proposed do not, of course, concern us, but we are glad to find that that Committee's recommendation for the formation of a new Department of Ways and Communications is almost identical with ours. We understand that, though certain minor charges consequent on Sir Hubert's report have already been made, the broad question of rearrangement has been reserved for the decision of the present Viceroy.

102. The Member's work will be divided into three main sections. In the first place he will be the head of the transport organisation; with this we deal at length hereafter. Secondly, he will be Chairman of the Central Railway Advisory Council, the establishment of which we recommend in a later part of this Report. Thirdly, he will control the Posts and Telegraphs through the existing organisation of that Department.

103. This work will tax his undivided energies; he must not be made, as Sir John Hewett describes the Member for Commerce as having become, an "office drudge" on whom additional miscellaneous duties unconnected with his primary function can be imposed. He will—especially during the next few years of reorganisation—be a busy man, but should allow himself sufficient freedom from the routine of his office to meet frequently the representatives of the trading and travelling public. The formation, as is proposed below, of Local Advisory Councils at the main railway centres, and the periodical conferences with the Central Advisory Council, will afford him opportunities of obtaining first-hand information on transportation questions; but it is hoped that in addition to this he will find time to meet occasionally the Chambers of Commerce and Harbour Boards on their own ground. Such meetings we have no doubt will be mutually beneficial and will be time well spent, especially if he is accompanied by his Technical Adviser, the Chief Commissioner of Railways.

104. We have given much thought to the question whether the Member of Council need himself be a railway man by profession. If a man could be found to combine the qualifications of a capable administrator, parliamentarian and railway expert, he would be an ideal selection for the post. But to find a man with all these qualifications would be very difficult; to find one possessing them who would be attracted by the salary attaching to the appointment of Member of Council would be impossible. We take it for granted, therefore, that the Member must rely upon others for technical advice; but we consider it essential that he should himself possess the other qualifications mentioned.

105. We turn now to the question of the Railway Board, and the constitution of the body which we consider should be substituted for it. The constitution of the Railway Board itself is somewhat peculiar. Its President has the responsibilities and the rights of a Secretary to Government, though he does not bear the title. The other two members have not. And yet as a member the President is nothing more than the senior among three colleagues. Originally he was only *primus inter pares*. There was another period when, though possibly not by legal right, the President was really supreme, and the decision of the Board was, in fact, his decision. **Status of existing Railway Board.**

106. The present position is that, in a matter within the competence of the Department itself, any member of the Board who disagrees with his colleagues is entitled to refer the matter to the Member in Charge. If, on the other hand, the matter is one that has to go to the Council, the minute referring it must state whether the decision is unanimous. If it is not, the Board's minute has to embody the views of the majority, but a dissenting member is at liberty to append a minute showing on what points and for what reasons he disagrees.

107. We have now to deal with the practical working of the organisation. At several points in this Report we call attention to the constant interference of the Government in the details of railway executive management. The whole of this work falls upon the Railway Board. We are informed that 71,000 communications were issued from or were received by the Board's office last year; a large proportion of these have to be brought before, if not the full Board, at least one of the Members That is one side of their work. In some respects it is not the most arduous; for just as, on the one hand, the sanction of the Railway Board is required in matters which on an English railway would hardly get further than the head of a sub-Department, so, on the other hand, the Railway Board itself has frequently to apply, not merely to the Government of India on the spot, but to the Secretary of State 6,000 miles away for sanction in matters of apparently quite trifling importance. We have had furnished to us a large folio volume, containing 115 pages of text and 25 pages of index, entitled the "Schedule of Powers of the Government **Its limited powers.**

of India and the Railway Department (Railway Board) in railway matters." This document enumerates under nearly 400 heads the various subjects in which, and the extent to which, power is delegated by the Secretary of State to the Government of India and re-delegated to the Railway Department.

108. We give two instances: one in which the powers of the Government of India are limited, and the powers of the Railway Department are further limited; the other a case in which the Government of India has received full power and only part is subdelegated.

Authority	Item No.	Subject.	Extent of powers and conditions.
I.—S. of S.'s Desp No. 30, Financial, dated 31st March 1911, in F. D. Pros. Accounts, &c., June 1911, Nos. 342-344, A. II.—Article 137 (i) of Vol. I. Civil Account Code.	178	Advances to officers for the purchase of a motor car or motor boat.	I. *Government of India.*—Power to amend the rules regulating such advances, subject to the condition that any modification of the portion of the rules limiting the advance to Rs. 7,500 and the period of recovery to three years should be referred to the Secretary of State for approval. II. *Railway Department.*—Power of a Department of the Government of India under Government of India, Finance Department, Resolution No. 3138 A., dated 25th May 1911. [Article 137 (i) of Vol. I, Civil Account Code.] *Note* -Advances for the purchase of motor cycles may be granted in accordance with Government of India, Finance Department, Resolutions No. 1242 E. B, dated 21st September 1915 (E., October 1915, Nos. 8-9, A.), and 1523 E. B, dated 1st December 1915 (E., December 1915, Nos. 30-31, A).
❋	❋	❋	❋ ❋
I.—*Practice* II.—Railway Board's Pros. R. C., Aug. 1908, A, Nos 162- R C. Feb. 1914, Nos. 12-15 A	352	Expenditure on entertainments to railway employés and the public on the occasion of the opening of new lines of railways or of any works of great importance.	I. *Government of India.*—Full power. II. *Railway Department.*—Empowered to sanction such expenditure, up to a limit of Rs. 5,000, in each case, as a charge to *revenue*. In cases where, owing to contractual conditions, *e.g.*, where a branch line is worked by a main line for a percentage of the former's gross earnings a charge to revenue would not be proper the Railway Department is empowered to sanction such outlay as a charge against *capital* up to the same limit. For payments in excess of this amount the concurrence of the Finance Department is required.

Its responsibility for local details

109. It seems to us that, in consequence of the regulations under which the Railway Board act, they spend a large part of their time, on the one hand, in doing the work of their subordinates, which these subordinates ought to do for themselves; and on the other hand, in obtaining from their superiors permission to do the things which they are fully competent and ought to be permitted to do for themselves. This is one fundamental criticism which we have to make of the present system of railway control; the other, equally fundamental, we have made already at sufficient length, namely, that the railways, not being masters in their own house, are not able to shape their own policy; it is shaped for them by the exigencies of the Finance Department.

110. Complaint was made to us in different parts of India that the Members of the Railway Board seldom or never visited them. In Delhi we were told that, if a Member of the Board absented himself for a fortnight, the accumulation of papers would be so great that it would be almost impossible for him ever to overtake them. And we fully believe it. There is laid upon their shoulders a burden of routine work which is more than three men can cope with. The proper function of the Railway Board is not to carry out routine duties, but to shape policy, to watch, to think, and to plan. Throughout the whole of India, but more especially in the South, witnesses complained to us of the actions, or the inaction, of the Railway Board. We were told that letters were left unanswered; that decisions were delayed indefinitely; that when charges against the companies were made the Board referred them to the companies

themselves, and then washed their hands of the matter; that applications to the Board for redress of grievances had been proved to be fruitless and so had ceased to be made.

Constitution of proposed Railway Commission.

111. We subjoin a chart showing how we think the organisation of the Communications side of the new Ministry should be planned :—

- Member of Council for Communications
  - Chief Commissioner of Railways and Ports
    - Commissioner for Finance (Finance, Statistics, Secretariat, Establishments, &c.)
    - Commissioner, Western Division [1]
    - Commissioner, Eastern Division [2]
    - Commissioner, Southern Division [3]
      - Director of Accounts
      - Director of Civil Engineering
      - Director of Mechanical Engineering
      - Director of Traffic Operating.
      - Director of Traffic-Commercial.
      - Director of Ports, Inland Navigation and Road Transport
        - General Secretary
          - Statistical and Office Staff

112. The Chief Commissioner of Railways and Ports will, of course, be a technical railway man. Presumably he will be nominated as a member of one of the Houses of the Legislature, but it is to be assumed that he would be required to attend only when transport questions are under discussion. He would have the status of a Secretary to Government and so would have a right of access to the Viceroy; and we consider that he should be invited to attend meetings of the Executive Council when matters relating to the Commission are under consideration, with freedom to advise on technical matters, but without a vote.

113. The Chief Commissioner should be assisted by four Commissioners, as follows: One Financial Commissioner; three Railway Commissioners in charge of territorial divisions.

114. The Financial Commissioner should be Second in Command to the Chief Commissioner at headquarters. He should arrange that the services of the directors of the various sections, and the office staff generally, shall be available to all the Commissioners.

115. The fundamental differences between the constitution of the Railway Commission which it is proposed to set up and the present Board are :—

(a) The appointment of one responsible Chief Commissioner.
(b) The addition of a Financial Commissioner.
(c) The supervision of territorial areas by separate Commissioners.
(d) The addition to the technical staff of Directors of Mechanical Engineering, Commercial Traffic, Ports and Road Transport.

116. Given the right men to fill the positions, we feel confident that a controlling organisation on the lines defined will be the means of eliminating the disabilities so apparent in the existing régime. At present the Board, consisting of three members, two of whom can outvote the third, and all of whom are concerned in every general railway question that arises, cannot act with promptness and decision. Except when the matter is urgent and a member of the Board is absent, the whole Board has to be consulted upon every important action taken, and each member therefore attempts to keep himself informed of all that is taking place. India is a vast continent, transport questions of the present and the future are many and complex, and the task that has been set the members of the existing Board is more than they can efficiently undertake. The duties of supervision require to be subdivided, and the responsibility

[1] The Western Division would include the Great Indian Peninsula; Bombay, Baroda, and Central India; North-Western and Jodhpur-Bikaner Railways; together with the ports and the branch and feeder railways in their areas.

[2] The Eastern Division would include the East Indian; Oudh and Rohilkhand; Bengal and North-Western; Rohilkund and Kumaon; Assam-Bengal; Bengal-Nagpur and Eastern Bengal Railways; together with ports and local railways as above.

[3] The Southern Division would include the Madras and Southern Mahratta; South Indian; H.E.H. the Nizam's and Burma Railways; together with ports and local railways as above.

of each member clearly defined. Under the existing organisation the individual members of the Board would require what they cannot possibly have, a thorough and up-to-date knowledge of India as a whole. In connection with matters of moment the constitution of the Railway Board must inevitably lead to delay for the purposes of a conference, with the probability of further delay for information, followed often by compromise in order to obtain unanimity.

117. The responsibility—under the Member of Council—for arriving at decisions on technical questions, or for advising the Member on matters of railway policy, should be vested in one man and one man alone. The present organisation, under which the members have practically equal voting powers and responsibilities, inevitably leads to lack of initiative, lack of decisiveness, and lack of a definite policy.

Divisional Commissioners.

118. The appointment of a Chief Commissioner, who will be an executive officer with full powers, will not in itself eliminate the disabilities under which the controlling authority is at present labouring. Local touch and local responsibility must also be developed. At present the Railway Board has not the means for obtaining the necessary intimate local knowledge. The local authorities and public are fully aware of this, and in consequence have no confidence in the Railway Board, of which the members are seldom seen, and in consequence the Board is practically disregarded. Subdivision and concentration of supervision will cure this. We have for this purpose apportioned the railway map of India into three divisions, and it is proposed to allocate a Commissioner to each division. It will be the duty of the Commissioner in charge of a division to concentrate and specialise upon the study of its transport problems so as to become thoroughly intimate with them. He will by this means obtain a confidence and power of decision which knowledge alone can give, and in addition will win for the Board throughout India the confidence in its control which is now non-existent.

119. Thorough local knowledge on the part of the Commissioners will bring with it a power of initiative and anticipation of transport problems which is so necessary to the future development of India. Closer supervision of the individual railway's working by the Commission will bring increased efficiency in operation, and ensure money for traffic facilities and development being spent to the best advantage.

120. Subdivision of supervision must necessarily lead to closer investigation of results and a more prompt and fair appreciation of ability and energy of management. Statistics of operation will be subdivided also, and a healthy emulation will be set up between the divisions and the separate railway units within the divisions which will all assist in promoting keenness, efficiency, and economy.

121. The trading and travelling public will undoubtedly directly benefit by closer supervision from the seat of Government, and from more intimate local knowledge. The public will soon appreciate the advantage of being able to appeal to a particular Commissioner, who not only knows but sympathises with the legitimate aspirations of his own Division, and who is able, owing to the concentration of his responsibilities, to afford the time to investigate on the spot problems as they arise, and consider beforehand with those most intimately concerned schemes for future development within his area of control.

122. Consultation between the Commissioners as a body, under the Chief Commissioner, will, of course, take place whenever matters of general policy are under consideration.

Inspecting staff, Engineering and Traffic.

123. At the present moment there are eight different Circles in India, each with an Engineering Inspector who is required to make a minute inspection of every mile of railway in his Circle every year.[1] We cannot believe that this amount of inspection is necessary, and we recommend therefore that economy be effected by reducing the Engineers' circles to three, viz., the three divisions for which Commissioners will be appointed. It may, however, be necessary in one or more of the divisions to appoint in addition an Assistant Engineering Inspector. The monetary saving effected can be utilised for the appointment in each of the divisions of an Inspector of Traffic who will work under the Commissioner of the

[1] One of the engineering inspectors is also Secretary in the Railway Department of a Local Government. The Local Governments have no control over railways. They have, and frequently exercise with advantage, the right to press local grievances, and to represent local requirements. But the position of an official, who spends part of his time complaining on behalf of one employer of the action, or inaction, of the body that employs him for the remainder of his time, seems to us, to say the least of it, anomalous.

division. Such Inspectors are more especially needed at the present time. The railway machine is, as we have said, quite inadequate for its work. It cannot be brought to a state of reasonable efficiency for a good many years to come. But from our own observation, and from such comparisons as we have been able to make between one railway system and another, we are persuaded that, if the operating methods of the least efficient line were brought up to the standard, not of ideal perfection, but of the most efficient operation existing in India at the present moment, considerable improvement in service would be effected.

124. The changes and additions we have proposed in the headquarters establishments will involve some additional expenditure, possibly something like 25,000*l.* or 30,000*l.* per annum. The expenditure is necessary, and is in the interest of true economy. It will be offset to an appreciable extent by the saving of clerical labour and printing which will be secured by the reform of the existing accounts and statistics, as recommended later in this Chapter. The present emoluments of railway service in India, whether at headquarters or in the management of individual undertakings, are entirely inadequate. Perhaps we shall best make clear the situation if we say that the highest salary paid in the Indian railway service to-day is hardly more attractive than that of the head of a sub-department on a big English railway, such as the Deputy Goods Manager, or Outdoor Superintendent of the Line. To expect that at this price the Indian railways will obtain the services of the right class of men is to expect the impossible.[1] We do not think that Indian opinion will grudge to pay adequate salaries for efficient service.

Relations of Railway Department

125. We must now deal in somewhat more detail with the relationship which should in future exist between the reconstituted Railway Department, and the authorities above it on the one hand, and the railway management responsible to it on the other. In dealing with the first half of this question it is impossible for us to avoid touching upon the field of general politics. Hitherto, the Government of India has had to carry out instructions of the Secretary of State. And the Secretary of State, from the fact that his salary was paid by the Indian taxpayer and not included in the English estimates, though of course he could be made ultimately responsible to Parliament, occupied a semi-autocratic position. Since the Government of India Act came into effect at the beginning of 1921 the position is entirely changed. The Legislative Assembly, three-quarters of whom are elected by popular vote, have now large control, both of legislation and administration, and in particular have the control of expenditure through their power to refuse to vote the items in the Budget, subject to the reserve power of the Governor-General in Council to reinstate any item struck out if in his opinion it is essential to the discharge of his responsibility. This great constitutional change must modify profoundly the responsibility of the Secretary of State for the management of Indian railways. For we may assume that he will hesitate either to veto expenditure which the Legislative Assembly has sanctioned, or to enforce expenditure for which they have refused to find the money. On the other hand, Parliament, which has taken over the India Office vote and established a permanent Joint Committee of the two Houses on Indian Affairs, must be assumed to intend to exercise in future through the Secretary of State supervision over the broad policy of the Indian Government.

To the Legislative Assembly

126. But in any case, and apart from constitutional changes, it seems to us that a revision of the powers reserved to the Secretary of State in respect of railway management is overdue. We have had an opportunity of perusing the Despatches and the cable messages on railway subjects exchanged between the India Office and the Government of India since January 1920. They are numerous; they are voluminous; and not a few of them are concerned with quite petty details. We have found, for instance, Despatches addressed by the Secretary of State to the Viceroy in full official form dealing with matters such as the following:—

Despatch No. 7 of 1920. Sanctioning gratuity to a travelling inspector of accounts of an amount proposed in Government of India, Finance Department, Despatch No 446 of 6th November 1919.

Despatch No. 11 of 1920. Reporting re-engagement of an engine driver as result of correspondence ending with a cablegram from the Government of India.

Despatch No. 2 of 1921. Sanctioning payment of a pension of Rs. 100 per month (say 80*l.* per annum) to the widow of an engine driver killed in an accident.

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[1] We have reason to believe that recently in more than one case railway agents have refused to accept appointments to the Railway Board, and that two agents have resigned their railway posts to accept appointments elsewhere, in Indian public service though not under the Government of India.

We cannot believe it necessary to employ a Nasmyth hammer to crack such small nuts as these.

And to the Executive.

127. We assume that in future the Railway Commission will be responsible for its own administration; will itself fix scales of pay and conditions of service for its own staff, and be free to engage and dismiss them as it thinks proper; will prepare its own programme of work and expenditure; and within the limits of its budget, as approved by the Government of India and the Secretary of State and accepted by the Legislative Assembly, will carry it into effect; that, in a word, though remaining an integral part of the Government machine and subject to control on broad questions of policy and the major questions of finance on which policy must depend, it will be an independent administration.

128. We now turn to the relations between the Railway Commission and the managements of the separate railways. Both in reference to lines directly managed by the State and those managed by companies we recommend that the control in matters of detail be relaxed as far as possible, in order to eliminate constant references for sanction to the Commission and to leave to each official—whether an agent or one of his subordinates—unless for special reasons, the same amount of freedom in incurring minor expenditure or in dealing with his staff as would be left to a corresponding official under ordinary company management.

Accounts and statistics.

129. There are, however, important respects in which the existing organisation does not provide for the exercise of adequate general supervision and control over the railways. Economical railway management cannot be ensured without a proper system of railway accounting. Apart from a mere audit check of receipts and disbursements, a railway requires a large number of financial returns of various kinds: not in order to say whether expenditure incurred has been duly authorised, or receipts duly accounted for, but to say whether expenditure is being wisely incurred, whether retrenchment of habitual expenditure is possible under one head, whether new expenditure under another is proving profitable, or even whether a larger expenditure would be likely to be fruitful; and so on. These are not matters to be left to an outsider. A practical railway man who knows what he is doing in the present, and what changes he is meditating for the future, is alone competent to prescribe and to make use of returns of this kind. But the accounting staff controlling the Indian railways, from the Accountant-General (Railways) at Delhi down, in the case of the State managed railway, to the latest joined clerk in a local office, are officials, not of the Railway Board, but of the Finance Department. No doubt these officials gradually get to see the railway point of view, but they must be guided by rules laid down by the Finance Department, framed largely in view of the requirements of the non-commercial departments of Government.

130. At present the railway accounts are very complicated; some portions are produced in different forms for the use respectively of the Railway and of the Finance Department. And when, as has happened in the case of the Committee, enquiries are based on the statements made in the Railway Administration Report, and reference is made to the corresponding portions of the Finance and Revenue Accounts of the Government of India, there is great difficulty in reconciling the two sets of figures. We are quite sure that, if the whole matter were under the control of a single department, simplifications could be introduced which would not only make the accounts more intelligible, but result in considerable saving of expenditure. The Report of the Auditor-General would continue available as at present to secure the financial rectitude of the Railway Administration.

131. We recommend that the Railway Department should be responsible for its own accounts. We do not exclude, of course, such independent and separate audit as the Government of India may think proper to make, on the same principle that obtains in any commercial company, where the shareholders appoint an outside firm of accountants to check and report on the books which are kept by the servants of the directors, the ordinary accounting staff. We think also that the present form of accounts should be examined and reported on by experienced railway accountants conversant with modern practice in England and America.

132. Statistics are closely connected with accounts. In volume we believe the Indian railway statistics surpass those of any other country.[1] Their value is not proportionate to their volume. The present form of statistics was, we understand, introduced about the year 1880, a period in railway history which may be described as mediæval. They have not been revised since. The Members of the Railway Board are in full agreement with us in thinking that the time for revision is overdue. It is admitted that the time of a large number of clerks is occupied in their preparation, and that much money is spent on their printing, and that when duly prepared and printed little use is made of them for any practical purpose. Further, we gather that these statistics are not always what they purport to be, arithmetical calculations from accurately recorded figures; that in some cases at least they are no more than computations of averages based on data inadequate both in width of scope and length of time.

133. Adequate statistics are urgently required, not only to enable the Railway Board to control the management of the railways for which it is responsible, but to enable the managers themselves and their officials to see how the work which they are doing compares with the work done elsewhere; and also to see that they are not retrograding, but improving in efficiency year by year. Such statistics are not produced for Indian railways. In some cases, but not in all, useful comparative figures can be extracted from the tables furnished in the present Administration Report, but they are not given, as they should be, as comparisons in the Report itself. A keen manager of an individual railway may extract such comparisons for his own use; but they remain available for himself alone. Other managers, in ignorance of what their neighbours have accomplished, lag far behind the achievement which they might reach were they stimulated by knowledge of the results attained elsewhere. Moreover, if the railway statistics were adequate and if the members of the Railway Board themselves had leisure to study them, and then apply the results they had ascertained to the case of an administration that was backward in improving the State property entrusted to its management, we are persuaded not only that more traffic could be carried, even with existing facilities, but that State profits would be largely increased.

134. As for the form of the statistics, it is clear that it is in need of radical reform. China, like India, has a large number of railways, belonging to the State but managed separately. Some 10 years ago the Chinese Government saw the need for appointing a Commission to harmonise and amplify the statistics furnished by the separate managements. After long and careful investigations the Commission reported, and new forms of statistics were drafted with the assistance of an expert statistician of the highest reputation, who for many years had been in charge of the statistical branch of the Interstate Commerce Commission of the United States. The Annual Report of the Chinese Government Railways, of which five issues have now appeared, is a model of its kind, probably more up to date than that produced in any other country in the world. On enquiry at Delhi we were told that knowledge of its existence had not yet reached the office of the Railway Board.

135. There is another reform which is urgent. We do not think that the ordinary Civil Service Regulations and practice are suitable for application in so specialised a concern as a railway. The relations between the employer and the staff should be more in conformity with ordinary commercial practice. In particular, the weight attached to seniority in the appointment of men in the State railway service to vacancies is at present too great. We have had brought to our notice cases where an officer, with only quite a short period of service before his date of retirement, has made good his claim to be transferred from his own railway to another State railway, where the corresponding grade carried a slightly higher salary, on the ground of seniority. Again, there have been cases where an officer of high proficiency in his own technical branch on one railway has been transferred to another railway as agent,

Civil Service Regulations.

Seniority.

[1] The voluminous nature of these may be judged by a single instance. There is in Kathiawar an entirely unimportant narrow gauge railway, 58 miles in length. We have extracted from Vol. II. of the Administration Report the information furnished in respect of this railway. It occupies 21 pages of typewritten folio; and is given in as full detail as though this little line was a main line system. It is, for instance, recorded that, during the year, the railway raised Re. 1 from the carriage of beer, Rs. 5 from the carriage of engine parts, Rs. 8 from the carriage of silk and the same sum from the carriage of cigars.

though lacking in general administrative experience. Transfers such as this do not promote efficiency.[1]

136. We have been frequently told by the advocates of company management that rigid regard for the claims of seniority, and the consequent shifting of men from posts for which they are suitable to others for which they are not, is a necessary concomitant of State management. We can see, however, no causal relation between one and the other. Whether this practice is proper in ordinary Government service is not a question for us. When the railway administration has attained independence and has established the necessary machinery for closer local supervision, it ought not to be continued so far as railways are concerned. So injurious is this system, that, if we had believed it must necessarily be permanent, those of us who have recommended the adoption of a State management policy would have hesitated longer before doing so. We may add that experience in India has not shewn that selection by company boards of their chief officials is always successful.

137. On the State railways the Government has a free hand. It can delegate or retain powers as it thinks fit. It can even on due cause shown distinguish between the powers granted on one system and on another. It can instruct the agent to carry out works or to spend money as it sees fit. But with the railways of the Guaranteed Companies the position is different. They have contractual rights which must be respected. Broadly, the Government can only prevent; its power of initiative is strictly limited. The Government can order a company to execute works or to adopt methods required in the interest of safety; but not if they are required only on grounds of convenience or of economy. In the latter case they can suggest, but could not enforce if the Company were to refuse.

Need of more control in essentials.

138. Sometimes the Government cannot even prevent. It cannot, for example, prevent the appointment or the retention in office of an unsuitable officer. We think the Railway Commission must have some control over the appointment and retention of the principal officers, and more power than at present to initiate and enforce reforms, possibly with some such appeal on the grounds of reasonableness, where they imply the expenditure of considerable sums of money, as is provided in the Railways Bill, 1921, now before Parliament. But we have no doubt that, if the Companies are taken into consultation on this subject, a satisfactory agreement can be come to; and that they will be ready to accept the possibility of control exercised occasionally in extreme cases in return for release from constant and irksome interference with everyday details. The Government has in its contracts with the various Companies power in the last resort to act by legislation. The contracts provide that—

Less interference with details.

> "No claim shall be made upon the Secretary of State by the Company for compensation in respect of the prejudicial effect upon the undertaking or the profits thereof of any Act [of general applicability[2]] of His Majesty's Indian Legislature for the time being in force, and the Company and the undertaking and its equipment shall be subject to the provisions of every such Act."

Closer touch with public opinion needed.

139. So far we have dealt with the working of the administrative machinery. But this machine is at the present moment, and must, as we have said, continue to be for some years to come, worked mainly by non-Indian officers. Witness after witness representing Indian opinion has complained that the Indians have no voice in the management of their own railways. We think that no scheme of reform can attain its purpose of fitting the railways to the needs of the Indian public unless that public has an adequate voice in the matter. Control in the strict sense of the

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[1] In this connection the following extract from the record of Sir William Meyer's evidence may be quoted :—

(*Chairman.*) "I was reading the other day Lord Haldane's evidence in connection with the constitution of a theoretical Government department . . . and he said the proper system to adopt was seniority tempered by a very stern and rigorous rejection. How does that appeal to you as a principle?

(*Witness.*) "I think seniority tempered by the rejection of the unfit is very good, and, indeed, essential until you get to what you call the administrative grades in India—the biggest appointments in any service. There, I think, you ought really to go by selection. Of course, seniority will always have some weight. You could not upset the service entirely by taking quite a junior man . . . ."

[2] These additional words appear in the contracts of some companies.

word, the power, that is, to give orders to the Railway Executive, Indian opinion can only exercise through its constitutional mouthpiece, the Legislative Assembly at Delhi. But though control is reserved, it is possible for bodies representing the public to exercise great influence. In no country was the control of railways more autocratic than in Prussia. Yet it would be probably true to say that, in the generation before the war, the railways of Prussia were subject to less hostile criticism from their public than those of any other country. In Prussia there was a carefully planned system of railway councils, a single national council, and a number of local councils. They consisted of representatives of the Departments of State specially concerned with railway matters, associated with a majority of members nominated by the Chambers of Commerce, Chambers of Agriculture, the great municipalities, and similar bodies representing the public. They had no powers. But they had great power. They had a secretary, and met at stated intervals with an agenda on which any member could put down any subject for discussion he thought fit, and on which the railway officials put down any subject, such as changes and improvement in train services or alterations in rates for and classification of merchandise, which concerned the public interest and convenience. The railway administration, so it has been reported, very rarely acted except in accordance with the views expressed by the councils in all matters within their competence.

140. We understood from the Indian witnesses that they would welcome the establishment in India of Councils, Central and Local, with substantially similar constitutions and functions. We propose that there should be a Central Advisory Railway Council, meeting perhaps at Delhi at the beginning, and towards the end, of the cold weather, and that it should be of a manageable size. Central Advisory Council.

141. We give in a footnote[1] below the constitution of the Railway Council which has just been established in Poland. It will be observed that, like the Prussian Council and the corresponding *Comité Consultatif des Chemins de fer* in France, it is quite a large body. We are inclined, however, to think that in India it would be well, at least in the beginning, to constitute a Council on a smaller scale with a membership of not more than 25 in all. The Member for Communications would of course be Chairman of the Council, and his duties in that capacity would be amongst the most important functions he would have to discharge. The whole of the Commissioners should, if possible, attend the meeting, bringing with them any other officials whose presence is required by the business in hand. The Commissioners should, in our opinion, be free to speak, but should have no vote. The Council should include representatives of the Departments of Commerce and Industries, Agriculture, and possibly some others. One-half of the non-official members should be nominated by the leading commercial and industrial associations, both European and Indian. The other half should be representative of rural interests and of the Indian travelling public in different parts of the country. In the absence of any prominent associations definitely identified with these interests we think this object would best be attained if one representative were appointed by the Legislative Council of each of the provinces, not necessarily from amongst themselves.

142. All the railway officials to whom we put the question expressed themselves as ready and willing to work with Local Advisory Councils and endeavour to make them a success. These Councils should, we think, be somewhat similar in constitution to the Central Council, and, perhaps, half the size. There might be either a local Council at each of the railway centres, at which the Agents of all the railways having their headquarters there would be present, one of them taking the chair; or on the other hand, there might be a Council for each railway, meeting at the headquarters Local Advisory Councils.

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[1] *Constitution of the Polish Railway Council.*

(1) Representatives of the Ministries of Trade and Industry, Agriculture, Posts and Telegraphs, Finance, Public Works, Food, and Military Affairs, who will be appointed by the corresponding Ministers, one for each Ministry.
(2) One representative of each of the ten largest towns in Poland to be appointed by the corresponding City Councils.
(3) Sixteen representatives of industrial and commercial associations.
(4) One representative of each railway directorate.
(5) Six experts to be appointed by the Minister of Railways.
(6) Representatives of other Ministries, at the invitation of the Minister of Railways, if matters concerning such Ministries are under discussion.

of that railway, in which case one Agent only would take part.[1] This is a matter which may well be settled by discussion with the local interests specially concerned. But we think it of great importance that these Councils should be established as soon as possible. The Indian public is deeply and justifiably incensed by the conditions to which both passengers and traders have long been subjected; and it is desirable that their representatives should at the earliest possible moment be acquainted with the steps that are being taken for the redress of their grievances.

Liaison with Provincial Governments.

113. One other point should be added. The whole administration of railways is, as we have said, with quite unimportant exceptions, a subject reserved for the Central Government. But Local Governments are much more closely in touch with the local population, especially since certain departments of local administration have been entrusted to responsible Indian Ministers. We think that the Local Governments should be represented on the local Railway Councils, whether by an official or by an unofficial nominee it will be for them to decide. Further, we have been told that two Local Governments, those of the Punjab and of the United Provinces, have recently established Boards of Communications, and from what we have learned of the success of these Boards we think that the example is likely to be followed elsewhere.

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[1] In the latter case we think that the North-Western Railway should establish a second Council at Karachi, which is rapidly growing, is in a different Province, and has interests distinct from Lahore. There is much to be said also for a Council at Cawnpore

CHAPTER V.

Relations between Railways and their Customers.

144. The fourth paragraph of our Reference instructs us to report "whether the "present system of control by Government of rates and fares and the machinery for "deciding disputes between railways and traders are satisfactory, and if not, to "advise what modifications are desirable." The fifth paragraph instructs us "to make recommendations that may seem germane to the enquiry." We therefore propose in this section of our Report to deal with the question of the relations between the railways and their customers, whether traders or passengers, as a whole, and not to confine ourselves to the two special points of charges and disputes.

145. We have at various stages of this Report called attention to the very close and detailed control exercised by the Government of India over the management of the Indian railways. In the matter of fixing rates and fares, on the other hand, there is left to the Companies a large measure of freedom. **Rates and fares.**

146. The Government's right to control rates and fares is embodied in the following clause in the contracts with the various Companies :— **Companies' existing powers.**

> "The Secretary of State shall from time to time authorise maximum and minimum rates within which the Company shall be entitled to charge the public for services rendered by way of, or in connection with, the conveyance of passengers and goods on the undertaking, and shall prescribe the several classes and descriptions of passengers and goods to which such rates shall be respectively applicable."

In practice the Government exercises this right by framing a classification and fixing maximum and minimum rates, usually in the relation of about three to one, for each class. In the case of railways worked by the State, the permissible limits of charge are prescribed in the same manner for the guidance of the Agent. Now fixing maximum and minimum rates does nothing to protect the trader from what is known as undue preference, that is, charging in one place or on one class of traffic rates unreasonably disproportionate to those charged elsewhere or to other competing traders. There is a nominal protection against undue preference in the provisions of the general Railways Act, 1890. But the enforcement of the remedy under this Act involves the setting up of a special court to try each individual case, and this procedure is so cumbrous and inapt that in fact no court has ever sat. Allegations of undue preference are frequently made and have been strongly urged before us. If a cheap and expeditious tribunal were established to try such cases we have reason to believe that not a few complainants would appear before it. Under present conditions it is only natural that many traders nourish a sense of grievance which on investigation might, in some cases at least, prove to be unfounded. **Need for greater control.**

147. Our attention was called to the fact that the contracts of the most important Companies appear to give to the Secretary of State further control over rates and fares than is given by the clause which we have quoted. In their case there is an additional section of the clause after the words cited which runs as follows :—

> "as well as the extent to which, within the maxima and minima so authorised, the Company may vary the said rates in respect of the distance or weight or special conditions under which such conveyance takes place or services are rendered."

When we were in Delhi we discussed this matter with the Railway Board, and invited their opinion as to the effect of this additional provision, in respect of the Companies in whose contracts it appears. They informed us that their opinion, after taking legal advice, was that these words did not deprive the Companies of the legal right to vary rates at their discretion within the prescribed maxima and minima. The Board have naturally acted on this interpretation of their powers. But we are not wholly satisfied that their view is correct. The clause is badly drawn, and legal authorities in England whom we have consulted have difficulty in interpreting it. But we have no doubt what its intention was. It was meant, in our opinion, to give power to the controlling authority, not merely to fix the maximum and minimum of each class, but to say what consideration should be given to length of haul or size of consignment or other special circumstances in varying the rates within these limits.

148. Whether, however, the clause, if tested by legal proceedings, would be found to have the effect which we believe it was intended to have, is not of great consequence. We have no doubt whatever that further power to control rates ought to exist and be exercised by some appropriate public authority. We believe that the clause cited in para. 138 of the Report, which exists in all contracts, and provides in effect that every Company shall be liable to have its position modified by subsequent Acts of general applicability, enables the Government to confer such power upon a competent authority.

Allegations of undue preference

149. It is an Indian grievance of old standing—it was voiced in the Legislative Assembly at Delhi in 1915 by a distinguished Indian, now a Member of the Executive Council of Bombay, Sir Ibrahim Rahimtoola—that the railways fix their rates to suit their own pecuniary interests—if indeed it be not to suit the interests of European merchants—regardless of the effect of these rates on the native industries of India. And we have no doubt that the charge is accepted as proved by a large proportion of Indian traders.

150. Charges based upon motives are difficult to prove or to disprove. It was not our duty to investigate specific cases in detail, nor would the time at our disposal have permitted us to do so. Unquestionably, low exceptional rates exist for traffic to and from ports, especially the great ports of Calcutta and Bombay. But exceptional rates such as these exist in every country, and are there justified on the ordinary grounds, not only of the economy of handling goods in large volume, but also of competition between railway systems serving the same distributing or consuming area.

151. In one respect, at least, the Indian railways have refrained from following the accepted railway practice in other countries. It is usual in most countries to concede for export traffic through a seaport rates which are not available to that seaport for local traffic; and *vice versâ*, in countries which adopt a Free Trade policy, to fix lower rates for the carriage inwards of goods imported through a port than for goods produced locally at the port town. This practice is not, so far as we have been able to ascertain, followed in India. Bombay receives from up-country large quantities of raw cotton, part of which is worked up on the spot and part exported. Similarly, Bombay distributes to up-country points large quantities of cotton cloth, part of it locally manufactured and part imported. The raw cotton rates down to Bombay port and to Bombay town are the same, and so are the manufactured cotton rates upwards. The same principle, we understand, is applied elsewhere, in the case, for instance, of the great Calcutta jute trade.[1]

"Block rates."

152. Complaints are also loud and frequent from Indian traders in respect of what are known as "block rates." The term is peculiar to India and needs explanation. A block rate, as we understand it, is a high rate quoted with the object of retaining traffic on the line on which it originates and preventing, or "blocking," it from passing off, after only a short lead, on to a rival route. Some Indian witnesses, however, use the term as meaning a rate which is higher because the route over which the traffic is carried is in the hands of two separate administrations. But this is in no way peculiar to India. Railways all over the world charge more per mile—largely because it costs more—for a haul of 50 miles than for a haul of 500; if, therefore, traffic is hauled in one case 500 miles over a single system, while in another case it travels 50 miles over one line and then 450 miles over another, the total charge in the first case will—other things being equal—normally be lower than in the second. No instance has been quoted to us as existing at the present time of what would be a real block rate, *i.e.*, a rate from A to B for traffic going beyond B on another company's system higher than for a rate from A to B for traffic which goes no further. Block rates have certainly existed in the past, and Indian popular opinion is fully persuaded that they are typical of existing conditions. One of these cases is so notorious that it deserves a paragraph to itself.

153. About 100 miles to the North of Bombay, Broach, a small but ancient port, is situated on the main line of the Bombay, Baroda and Central India Railway. In the year 1908 an enterprising Bombay firm started a steamer service between Broach and Bombay. The Bombay, Baroda and Central India Company found that a certain amount

[1] There was, we were told, a special export rate for coal to Calcutta, but it has recently been withdrawn.

of traffic was being diverted. They therefore appealed to the Railway Board, pointing out that, as the great bulk of the profits of the Company went to the Government, the Government was interested in putting a stop to this diversion, and they suggested that, in order to enable them to impose on the through traffic for the short distance to or from Broach rates sufficiently high to leave little or nothing for the steamer portion of the journey, the Railway Board should permit them to raise the classification of certain competitive articles to the highest class. The Board assented. In one case at least, that of sugar, the article was raised from the first class to the fourth; in other words, the Company's power of charge was increased fourfold. The steamers withdrew from the unequal struggle, and the merchants of Broach not unnaturally protested. One sentence in the reply of the Railway Board deserves quotation :—

> "The contention . . . . is altogether opposed to the universally accepted policy which recognises that the unfettered freedom enjoyed by sea transport agencies in the quotation of rates entitles railway administrations to greater freedom when competing with water transport than is legitimate when competing amongst themselves."

154. It is difficult to believe that the writer of the letter really thought that putting up railway rates to a prohibitory point, with the object of preventing traffic ever reaching the water route at all, could be justified by the analogy of the normal practice of reducing railway rates to retain or obtain traffic which otherwise might be attracted to the water route; but if there is any other instance in history where a railway has been authorised by the controlling authority to do what the railway company did in the Broach case, the Railway Board did not specify it. The steamer service was taken off, "killed," said the merchants of Broach, by the block rates. Thereupon they petitioned that these rates, having served their purpose, might be withdrawn. The Railway Company refused to assent on the ground that there was still water competition maintained by country craft—small sailing vessels manned by Indian crews. Finally, the Government of Bombay intervened, as representing a public opinion which was becoming vocal, and then the Railway Board submitted and announced to the Railway Company that the exceptional increases in classification could no longer be sanctioned and must be withdrawn. But the Broach block rates lasted from 1910 to 1919, and the memory of them is still green in the hearts of traders all over India.

Alleged unfair competition with waterways.

155. The Broach case, though the most surprising, is not the only instance where railway companies have been accused, in dealing with water competition, of going or attempting to go to a length which seems to us indefensible. In Madras our attention was called to three cases. Leading into Madras itself there is a canal, known as the Buckingham Canal, which was of considerable importance at one time, but whose traffic since the advent of a railway has greatly fallen off. It was admitted on behalf of the railway company that they put in exceptional rates so low as to leave to them a very small margin of profit in order to divert traffic from the canal. Evidence was also given of an agreement between the South Indian Railway and the British India Steam Navigation Company, the effect of which was to induce the Steamship Company to cease to call at certain small ports, and so leave to the railways a monopoly of the traffic. Again, a letter was submitted to us in which the Agent of the same railway put forward a proposal that the Government should entirely close the small port of Tirumalavasal, and so force the local traffic on to the railway of which the Government was the owner. We think this is eminently a matter to which the Communications Department, which, if our recommendation is adopted, will have charge not only of railways but of canals and ports, should direct its attention.

Enquiry recommended.

Rates Tribunal.

156. We have discussed with very many witnesses, representing not only the Indian public, but the railway companies, what the authority to control rates should be. We have found a unanimous readiness on both sides to accept the constitution of a new Tribunal, practically identical with that recommended for the same duties by the Rates Advisory Committee constituted under the English Ministry of Transport Act, 1919, and accepted as satisfactory both by the railway companies and by representative organisations of the traders in England. We recommend the establishment of a Rates Tribunal consisting of an experienced lawyer as chairman and two lay members, one representing the railways and the other the commercial interests, with power, in any case deemed of sufficient importance, to add two additional members, one on each side. We do not think it necessary to go into the constitution and powers of the suggested Tribunal in any further detail. The proposals of the Rates Advisory

Committee, which are the result of an exhaustive public discussion by all parties interested from all points of view, are embodied in Part III. of the Railways Act, 1921, just passed by Parliament. The clauses in Part III. raise all the questions in issue and are available for reference when the time comes for practical action to be taken in the matter.

157. That the proposed Tribunal in England will not lack work is evident. It is not, however, possible at present to say how far this will be the case in India. We suggest that in the first instance the lay members of the Tribunal should be appointed, but only paid a retaining fee until it can be seen what the work is. We think, however, that the legal chairman should be appointed forthwith as a whole-time officer. The law of railway rates is not a simple matter. In addition to legal knowledge there is required a grasp of the economic principles involved and at least a general familiarity with geographical and business relations and the communities to which they are to be applied. Railway rates are not a subject in which, as far as we know, any lawyers in India have specialised at the present moment. There are not a few lawyers who have so specialised in England. But to preside over an Indian Tribunal a chairman would need both to be a specialist in railway law and to be familiar with Indian conditions. It is evident that the Indian Railways Act, which dates from 1890, requires extensive revision. We consider that the lawyer appointed as Chairman of the Rates Tribunal could not be better employed at the outset than in an examination of the Act in the light of modern developments, both of circumstances in India and of legislation in other countries, and preparing for the consideration of the competent authorities the draft of a new Railways Act.

Its jurisdiction.

158. The jurisdiction of the new Tribunal should, we think, embrace all questions of the reasonableness of rates even within the contractual maxima and minima, and of the conditions attached thereto, whether the question be the unreasonableness of a rate *per se* or its unreasonableness as compared with the rates charged to other persons or at other places in what are alleged to be comparable conditions. The same Tribunal might have jurisdiction in respect of the obligation to provide reasonable facilities, a matter which at present also has to be determined by a Railway Commission.

159. But both in respect of reasonable rates and reasonable facilities we think the Tribunal should be protected from being flooded with applications. We think that by a procedure analogous to that under section 31 of the Railway and Canal Traffic Act, 1888 (commonly known as the Conciliation Clause), application should in the first instance be addressed to the Ministry of Communications. The Ministry should bring the two parties together, not necessarily, having regard to the great distances in India, face to face, but by the interchange of statements, and should then express its opinion on the merits of the dispute.[1]

160. We do not think that applicants should be prevented from taking their case to the Tribunal by the fact that the opinion of the Ministry was adverse to their claim. But the question should be considered whether frivolous allegations should not be checked by requiring the deposit with the Tribunal of a certain sum—a figure of Rs. 100 has been suggested—to be dealt with at the discretion of the Tribunal.

Appeal from Tribunal.

161. We recommend that in cases of importance, either by reason of the amount of money involved or because they raise a question of general principle, there should be an appeal. We suggest that it should lie to the Governor-General in Council—this is in accordance with the Canadian precedent. Leave to appeal might be granted either by the Tribunal itself or by the Governor-General in Council.

162. A good deal of evidence has been given to us by Indian traders alleging grievances in respect of owners' risk rates. The question is not peculiar to India. It is a constant source of disputes between railways and traders in every country. We think a full investigation of the whole subject by the Tribunal would be welcomed both by the railways and the trading public. The Tribunal should decide for what articles in the classification "owners' risk" rates should be quoted as well as "railway risk" rates; what shall be the precise definition of the Company's liability under each rate; and what difference in *quantum* between the two rates—corresponding to the

Owner's risk rates.

[1] This was the practice of the Board of Trade for some years after the passage of the Act of 1888. Subsequently, however, the Board ceased to express an opinion and merely presided over a discussion. If the discussion failed to produce a settlement, the parties were left to their legal rights. With the change in procedure the conciliation procedure lost a good deal of the value which it had been found to possess in earlier years.

difference in the liability imposed on the railway undertaking—may reasonably be made. It is not, however, our idea that the tribunal should exercise the jurisdiction of an ordinary Court of Law where it is a question of fact whether goods have been lost or injured in transit, and, if so, at what precise sum the damages should be assessed.

163. Closely connected with the question of risk rates is the matter of settlement of claims. Whether the cause be slackness or shortage of staff, there is no doubt that unreasonable delay on the part of certain railways in dealing with damage claims, and their refusal to settle and pay even where the claim is undisputed, has caused deep and justifiable discontent.[1] The claimant has, of course, his remedy; he can sue in a Court of Law, where he will probably get judgment both for his claim and costs. But business cannot be conducted by law suit. We think the matter is one in which the new Ministry should take more interest than the Railway Board has done hitherto. If the Ministry were to call for returns showing how many cases are outstanding and for how long a period, and were to continue to call for such returns at frequent intervals, probably this would be sufficient to put an end to the grievance. Failing this, the closer supervision and additional powers we have suggested for the Railway Commission will enable them to take stronger action than perhaps has been possible hitherto. Settlement of claims.

164. There is another matter which we think deserves much more attention both from the Railway Board and from the management of the individual railways than it has hitherto received. According to the immemorial custom of the East, inferiors, after the manner of Joseph's brethren who went down into Egypt, when they come into the presence of their superiors bring presents in their hands. Accordingly, it seems to have been usual in India, when the trader applied at a railway station for the use of a wagon, to pay some small fee, 8 annas (*8d.*) or Rs. 1 (*1s. 4d.*). In recent years, the supply of wagons being utterly inadequate to meet the demand—owing, like all the physical deficiencies of the Indian railways, to lack of funds—these small fees have grown to portentous dimensions.[2] Evidence all over India has been given to us on the subject. Payments of Rs. 50 or Rs. 100 are apparently common. Rs. 200 have been mentioned more than once. In one case we were told—and we see no reason to disbelieve the evidence—that Rs. 800 (say 50 guineas) were actually paid, to obtain a single wagon at a time when prices were fluctuating wildly and when consequently heavy damages were liable to be incurred for non-fulfilment of contract. Bribery in connection with allotment of wagons.

165. It is not too much to say that petty payments for wagons have now grown into a system of organised blackmail. The Railway Board and the railway officials, though they hesitate to admit that the evil is as serious and widespread as the traders claim, do not attempt to deny its existence. They deplore it, but are disinclined to accept responsibility. The practice, they say, can only be stamped out by convicting and punishing the bribe-taker. This has been done in some cases, but not with sufficient frequency or certainty to stop the practice. If conviction of the bribe-taker in a law court were the only means of stopping the practice, it would evidently continue indefinitely. For normally the only witness against the bribe-taker is the bribe-giver, and as he is *particeps criminis* and equally liable to punishment, he can hardly be expected to come forward to give evidence. The practice must be stopped, not by conviction of offenders, but by prevention of the offence. And this we are convinced can be done as soon as the authorities are sufficiently in earnest about the matter. We feel that the evil would not have grown so serious if the Railway Board had appreciated its magnitude, and after a thorough investigation had grappled with it as

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[1] Below is a communication received from a district where traffic is so scant that claim disputes might be expected to be of rare occurrence:—

> "It has come to the notice of the Chief Commissioner that there is the greatest difficulty in getting any claim, however petty, settled, and, even when the claim is admitted, in obtaining payment of the money. Since the 1st January last 40 notices of suit have been received by the Revenue Commissioner . . . from traders in this Province, who have been unable to obtain settlement of their claims by other means. This number exceeds the total notices for the last three years and makes it appear that the machinery for the settlement of claims is gravely defective."

[2] The trader, when the wagon which he needs is not supplied, understands that shortage of wagons means that the number of wagons in existence is insufficient. This may be so or it may not. The trader may fail to obtain his wagon, not because the wagon is non-existent, but because, owing to inadequacy of running lines and of junction facilities or of marshalling sidings, it cannot be brought to the station where it is required. We have no doubt that the supply of wagons in India is at present insufficient; but we think that the shortage from which the traders suffer is due more to blocks in circulation than to actual insufficiency of numbers.

a general question affecting all India and had insisted on reforms of the methods of wagon distribution.

166. Various steps have been taken in various places to deal with the matter locally. One official at least told us the methods by which he believed he had stopped the practice in his own area. More than one trader explained to us the elaborate checks by which he had succeeded in securing for himself his fair allotment of wagons without giving bribes. Another witness, not a railway man, but a trader, suggested several expedients that would, he believed, greatly reduce, if not absolutely prevent, corrupt allocation of wagons; and the railway representatives who heard the evidence admitted that the proposals seemed worth a trial. We think it is the business of the railway authorities both to excogitate methods for themselves and to try harder to enlist the help of the public. The matter is of serious importance. The feeling aroused is not merely one of resentment. One witness told us straight out that the reason the practice was not stopped was that the bribes do not stick to the hands of the subordinate to whom they are paid, but percolate much higher up through the railway service. It is most unfortunate that suspicions of this kind—and, however unjustifiable, they are as much to be expected as to be deplored—should be allowed to exist. The bitter feeling is not lessened by the fact that powerful European firms are believed to get without payment treatment at least as good as that which Indian traders say they can only get by bribery. We impute no blame, nor indeed did the Indian witnesses, to the European firms. Whether the reason of the distinction, which apparently does exist, is that subordinate officials dare not submit important Europeans to the treatment which they venture to mete out to their less influential fellow countrymen, we cannot say.

The third class passenger, his grievances.

167. We received many complaints regarding the treatment of third class passengers. Their grievances are of long standing and have often been recognised. Stress was laid upon them by Sir Thomas Robertson in his report of 1903, and—more especially with regard to mela traffic—by the Pilgrim Committees of a few years ago, whose reports showed plainly that even with the insufficient means of transport available more might easily be done for the passengers' comfort; it might, for instance, be necessary in exceptional circumstances for passengers to travel in trucks, but the trucks could at least be cleaned beforehand. We may quote the following sentence from the letter dated 27th September 1916, from the Sanitary Commissioner to the Government of India, submitting the reports of the Pilgrim Committees:—

> "The Government of India can hardly be aware of the amount of ill-feeling and ill-will towards themselves that these two conditions (viz. (1), overcrowding of ordinary trains and pilgrim specials, and (2) the use of goods wagons to carry pilgrims) engender."

168. As voiced before us, the complaints of third class passengers still continue under the following heads:—

(*a*) Overcrowding, to the extent at times of double or even more than double the approved carrying capacity.
(*b*) Inaccessibility and insanitary condition of w.c.'s in third class carriages for long distance journeys.
(*c*) Dirty condition of third class carriages.
(*d*) Inadequate water supply on station platforms.
(*e*) Inadequate food supply arrangements.
(*f*) Inadequate waiting sheds or waiting rooms.
(*g*) Insufficient booking office facilities.
(*h*) Uncivil treatment by railway staff.

169. In India, with its vast population, normally sedentary, but at intervals—sometimes of months, sometimes of a year, sometimes of several years—flocking in enormous numbers to melas (fairs or fêtes) or on pilgrimages to holy places, occasional overcrowding is inevitable. To construct and equip the railways so that on rare occasions they should be able to accommodate without inconvenience traffic out of all proportion to the normal is evidently impossible. And so long as the present shortage of funds persists serious hardship is unavoidable. But when it comes to overcrowding as a constant everyday affair, carried to the length that Members of the Committee have seen with their own eyes—passengers by regular trains perched in the luggage racks and in suburban services hanging on outside or squatting on the steps of the coaches, it is another matter. Serious measures must be taken to deal

with it. It cannot be done away with till funds are provided on a scale sufficient to allow of railways being brought up all round to a much higher standard of efficiency. But even with restricted facilities something more might be done by measures such as borrowing stock to the utmost possible extent from other lines to meet exceptional local pressure, and by strict supervision of matters such as enforcing cleanliness and the provision of drinking water. We consider that in such ways as these the utmost efforts should be made to minimise the inconveniences to which the lower class passengers are subjected. Alleviations and remedies.

170. We were told by the Agent of the East Indian Railway that the Railway Board had recently disallowed any capital expenditure, even to provide such things as installation of additional water supplies or erection of waiting sheds, as they did not directly improve the movement of traffic. Whatever the shortage of funds, we cannot think that if an order so sweeping as this was given it was in the general interest.

171. The view has been urged upon us that the third class passengers suffer relatively more than other users of the railways from the lack of adequate facilities, and that, though they contribute by far the greater part of the coaching earnings and nearly one-third of the entire railway revenue, their requirements have received less attention than those of the organised traders and more vocal classes of passengers. There is a strong feeling on the part of the Indian public that the improvement of the conditions under which the mass of the passengers travel has a priority claim.

172. In this connection we may refer to the existence on a few lines of a special class of official, known as Passenger Superintendents, who are engaged at some of the principal stations in looking after the comfort and convenience of the lower class passengers. These officials are usually retired Indian Army officers, who give much assistance to travellers. The evidence given to us shows that their services are appreciated, where they exist, and we recommend an extension of the employment of such officials.

CHAPTER VI.

Miscellaneous Cognate Questions.

173. We proceed to deal with several matters of considerable importance which, though not falling within the four main heads of the Reference, seem to be strictly germane to our enquiry. The first has reference to the railways other than the three State systems worked by the State, and the eight State systems worked by Guaranteed Companies, which we discuss elsewhere.

174. The Railway Administration Report enumerates no less than 174 railway undertakings, divided into 14 different categories. The divisions between the different categories are often very slight, resting on small technical distinctions. We do not think it necessary to reproduce them here. For the purpose of this Report it will be sufficient if we classify the 163 undertakings other than the 11 major railways under the same headings which we adopted in Part I. of this Report:—

A.—State lines worked by independent companies;
B.—Company lines worked by companies;
C.—Lines belonging to Indian States;
D.—Miscellaneous (branch and light feeder lines of various kinds).

175. With reference to the railways in Class A (the Tirhoot State Railway, worked by the Bengal and North-Western Railway Company, and the Lucknow-Bareilly Railway, worked by the Rohilkund and Kumaon Railway Company), or those in Class B (of which the Bengal and North-Western and Rohilkund and Kumaon are the most important), we have no recommendations to make.

The railways of the Indian States

176. Class C, the lines in the Indian States, belong usually, with the important exception of one of the largest of all, that owned and worked by the Nizam's Guaranteed State Railway Company, to the States themselves. Some of them form quite considerable systems. The total Indian State-owned mileage is 4,847, of which 2,819 miles, mostly metre-gauge, are worked by the States themselves, and 2,028 by the adjoining main line administrations. The Government of India exercises certain powers of control in matters relating to public safety, and also over the adoption of new routes. But speaking broadly, these undertakings enjoy a large measure of independence, secured to them by the treaties between the Government of India and the several States. With the rights so secured there can, of course, be no question of interference. But a glance at the map of India is sufficient to show that the Indian States are scattered all over the country, and that main line construction must be turned aside from the route which physical and commercial geography would naturally suggest, if the frontiers of Indian States are to be regarded as inviolable.

The need for an All-India policy

It has not been suggested to us that the States have shown themselves as in any way unreasonable in the past, but it is manifest that there must frequently be room for differences of opinion on questions of alignment of railways affecting the States; and we think that, when the Railway Commission finds itself in financial circumstances which make it possible to take up long postponed projects of extension and new construction, the relation between the railways belonging to the Government of India and the railways belonging to the Indian States will have to be reviewed from the broad standpoint which we have indicated.

Branch and feeder lines.

177. Class D, which we have described as branch and light railways, consists mainly of small feeders of the main lines constructed under what are known as Branch Line Terms. These terms in essence involve, either that the State guarantees a minimum return on the capital, or, alternatively, undertakes that the line shall receive out of the earnings of the main line from traffic contributed by the branch such a sum, known as a rebate, as will make up the total earnings of the branch to a given sum. The branch in each case shares with the main line any profits exceeding the guaranteed minimum. This method of encouraging the construction of lines admittedly required to serve local needs, but for which the Finance Department declined to furnish the capital, was first adopted 28 years ago. It has enabled lines to be built which would otherwise not have been built, and has thereby helped considerably to develop the country. The method, as far as we can see, has no other advantage.

ment. Some part of it is merely a capitalisation of the goodwill created under the original contract by the joint efforts of the owning Company and the guaranteeing Government. The proposition was worked out in this way: The Government acquired the undertaking of a given Company for, say, 1,000,000*l*. The undertaking had been earning on the average of the last five years a net revenue of 100,000*l*. In other words, capitalised on a 5 per cent. basis, the property was worth 2,000,000*l*. When it came to fixing the respective capital of the two parties to the new contract, on the basis of which the surplus profits were to be divided, the Secretary of State's capital was assumed to be not the 1,000,000*l*. cash which he had paid, but the 2,000,000*l*. which the asset was regarded as worth; while the amount put in by the Company was taken to be not more than the cash capital which its shareholders subscribed. In a word, the Secretary of State acquired the property out and out, and the goodwill, realised by the joint efforts of the old Company and the owning Government, passed with the physical assets. The new contract was given to a Company which, though it had the old capital, the old directors, and the old shareholders, was regarded as a new Company starting *de novo* with no inheritance of the goodwill partly due to its former efforts.

195. Under the existing contract the share of the East Indian Company in the surplus profits has been reduced almost to a vanishing point. In the words of the Agent of the Railway: "to afford the deferred annuitants an extra shilling per cent. per "annum I must either effect economies or increase earnings by Rs. 40 lakhs (say "250,000*l*.) in the year."

Companies not joint owners

196. From this brief recital of an exceedingly complicated story two broad facts stand out. The one is that the entity known as the East Indian Railway Company is not, in the ordinary sense of the word, a railway company at all. Not only does it not own a mile of railway nor a single engine, but it is not joint owner even to an infinitesimal extent of the East Indian Railway undertaking. The East Indian Railway belongs, lock, stock and barrel, to the Government of India. If, on the termination of the latest contract in 1924, the Secretary of State declines to renew the contract, the Company merely expires. It hardly seems to need to be wound up, for it will possess no assets. The quasi-shareholders, the deferred annuitants, will revert to the position of ordinary annuitants. If the Company survives, it will only continue to exist as a machine for the distribution to the annuitants of the annual payments due to them.

197. We have described at some length the position of the East Indian Railway, as it is both the earliest and most important of the guaranteed companies, and though the process of the extrusion of the private investor has been carried further in the case of that railway, the East Indian position is practically typical of the whole situation of all the other guaranteed companies. It is true that in no other case have the shareholders so small an interest in the profits of the undertaking, for the share of surplus profits receivable by the other companies ranges from one-twentieth in the case of the Great Indian Peninsula Railway to slightly more than one-third ($\frac{1}{3}\frac{8}{7}$) in the case of the Burma Railways. But of all it is true that the so-called shareholders have no share of the assets of the undertaking. The difference between the East Indian Railway and the other guaranteed companies is that whereas the share capital of the East Indian has already been commuted into annuities, the other companies still retain a share capital which has to be repaid to them when their contracts are terminated.

Their debentures not a charge on assets.

198. We have pointed out that a shareholder in an Indian guaranteed railway company is not a railway shareholder at all as the word is commonly understood. We find that the debenture holder of a guaranteed railway occupies an equally unusual position. His security—the guarantee of the Secretary of State—is doubtless ample; but it is not what it would naturally be supposed to be. Normally a debenture holder has a charge on the undertaking to which he lends money, and can enforce his rights either by the appointment of a receiver or by foreclosure and sale. The debenture holder of an Indian railway has no such charge. The company to which he lends money is not the owner of the undertaking; he has only a personal contract with the owner of the undertaking, the Secretary of State. What happens is this. The prospectuses of all the debenture issues that we have seen state that the money is "required for the general purposes of the Company." The subscriptions are actually paid into the Bank of England, by or on behalf of the

Company, to the credit of the Secretary of State. If the Company is in debt to the Secretary of State for advances, these advances are written down in his books by the amount of the new issue, but the actual cash received remains in his possession. A witness described the procedure to us by saying that the Secretary of State acts as, in a sense, banker to the Company. Seeing that the Secretary of State holds the money in his own name; that the Company have no power to touch it without his consent; that in fact he frequently applies it to expenditure on another railway; and that, even on the undertaking of the issuing company, the money can only be spent when and to such an extent as the Secretary of State permits, and on works which he approves, it does not seem to us that the use of the term "banker" is really helpful in understanding the actual facts of the case.

199. The contract with the East Indian Railway Company, as we have said, expires in 1924; that with the Great Indian Peninsula Railway, the next largest company, in the following year. The contracts with the remaining six guaranteed companies are terminable by the Secretary of State at various dates, ranging from 1928 in the case of the Burma Railways Company to 1950 in the case of the Bengal-Nagpur. In none of these contracts is there any option reserved to the Secretary of State to resume possession of the railway on previously agreed terms at any time during the currency of the contract. The contracts vary widely in terms, financial and other, and also in period of duration. But their essential quality is the same throughout. The nominal shareholders have no share in the property of which they are called shareholders; the nominal debenture holders have no charge upon the property under whose name their debentures are issued. *Dates when contracts are terminable*

200. The total investment in the undertakings of the eight guaranteed companies is 261,675,900*l.* The subscribed share capital of the eight companies (including the "deferred" annuitants of the East Indian Railway) is 24,620,300*l.* The balance 237,055,600*l.*, is loan capital and Government capital invested either at fixed interest or on profit sharing terms.[1] It will be seen that even if the investment of the shareholders be regarded as railway share capital in the ordinary sense, the guaranteed shareholders' interest in the whole of the eight undertakings amounts to less than 10 per cent. of the total invested capital. *Proportionate investment, State and Company.*

201. We have in the foregoing paragraphs briefly described the position which the present guaranteed companies now hold in regard to their financial relations to the State—the owner of the railway; and we have shown that the companies have acted only as agents of the Secretary of State in the raising of capital by means of debentures which in fact have been merely State loans under another name.

202. With the permission of the Secretary of State the capital of the several companies could have been increased, and although Sir Thomas Robertson in his Report of 1903 recommended that the companies should be allowed to obtain a larger interest in their undertakings, a recommendation which was renewed in the Report of the Committee presided over by Sir James Mackay (now Lord Inchcape) in 1908, the Secretary of State has steadily refused to accede to the suggestion. *Companies not allowed to increase their share.*

203. It must be admitted, therefore, that the part which the present guaranteed companies subsequent to the date of their formation have played in financing the railways has, through no fault of their own, been quite unimportant. A reversal of the present policy in the direction of permitting the English domiciled companies to increase their share capital in the undertakings which they now manage would meet with strong opposition from a large body of the public in India. We cannot, there- *Demand for transfer of control to India*

[1] The details making up the total are:—

	£
Companies share capital (including East Indian Railway deferred annuities 6,550,000*l.*)	24,620,300
Debentures and Debenture Stock	40,830,500
Government capital invested either at fixed rates of interest or on profit sharing terms	108,084,500
Outstanding capital being redeemed by Annuities	54,914,700
Outstanding debt incurred by Government for the purchase of railways	33,225,900
Total	£261,675,900

fore, recommend the adoption of that course. Moreover, an overwhelming majority of the witnesses who appeared before us in India, whether individually they advocated State or company management, urged that the time had now come when the control, both financial and administrative, of the Indian railways should be transferred to India. That view is entitled, in our opinion, to very great weight.

204. When, in the years succeeding 1880 the present status of the guaranteed companies was fixed, reasons which at the time appeared sound may have justified the adoption of the policy which, while retaining in the hands of Government the absolute ownership of the railways, freed Government from their detailed management and handed over their working to English domiciled companies.

Arguments in favour of London boards

205. It has been represented to us that the London boards still continue to serve a useful purpose in supervising and controlling closely all expenditure, that there are distinct advantages in keeping in touch through the London Boards with British manufacturers, with British consulting engineers, and with the London Stock Exchange, as also in maintaining an agency in London for the recruitment of the European railway staff. Again, stress has been laid on the technical and administrative knowledge of the directors, on their familiarity with Indian conditions, and on the value of those qualifications in the initiation and elaboration of schemes and projects for the improvement and development of the railways they control.

Arguments against control from London.

206. Advantages may be claimed for the exercise by the London boards of the functions to which we have referred and for the technical and expert knowledge which many of the directors possess. But conditions in India have changed so greatly in the last few years, and are changing so rapidly at this moment, that whatever may have been the position in the past we think the advantages of English management are now outweighed by the great disadvantages of absentee control and the difficulty of keeping in close touch with the modern social and trade conditions of India.

Committee recommend transfer

207. For the foregoing reasons we unanimously recommend that the English domiciled guaranteed companies should cease to exist at the termination of their present contracts.

208. When the East Indian contract expires in 1924 no money will be required, as there is no capital to repay. The capital of the Great Indian Peninsula Railway, repayable in 1925, is only 2,575,000*l*. The next contract to fall in, that with the Burma Railways Company, is terminable in 1928; the amount of the capital to be repaid is 3,000,000*l*. The contracts of the other guaranteed companies are terminable at the following dates: —

1931, Assam-Bengal.
1937, Madras and Southern Mahratta.
1941, Bombay, Baroda and Central India.
1945, South Indian.
1950, Bengal-Nagpur.

Exceptional position of Assam-Bengal Railway

The position of the Assam-Bengal Company is exceptional. All the other guaranteed companies earn, in the shape of their share of surplus profits, a substantial dividend above the guaranteed minimum, and their shares, even under the exceptional market conditions of the present moment, stand in the neighbourhood of par. The Assam-Bengal net receipts do not even meet the 3 per cent. guarantee. The shares are consequently quoted at present at about 45. We should hesitate to advise that the Secretary of State should pay off at par in 1931 shares now standing at 45. But the Company is not important, and there is ample time for consideration of this exceptional case between now and 1931. In any case, the amount at issue is not large.

Transfer as contracts expire.

209. A few Indian witnesses who appeared before us urged that the terms should be curtailed and the companies compulsorily expropriated; but the great body of them have expressed themselves content to allow the contracts to expire naturally by efflux of time. And with this opinion we agree. Not only do we think that compulsory expropriation should always be avoided if possible, but we also are of opinion that for many years to come all the new capital that can be raised for Indian railways will be better spent in improvements and extensions than in paying off private capital that is already invested.

The financial terms usual before the war are now naturally quite inadequate, and will have to be revised if the system is to continue. Numerous witnesses have urged that this should be done. But one and all have admitted that, if the main line were in a position to build a given branch itself, and they were asked whether they would prefer it to be built by the main line or as a separate undertaking, they would choose the former alternative.

178. The Branch Line Company is usually a fifth wheel to the coach. It implies in some cases a separate construction staff; it always implies a separate Board of Directors, and separate accounts. In cases where the branch is worked by the main line, if its Directors feel that the management is unsatisfactory, they not only can make representations to the main line administration, but in the last resort can appeal to the Railway Board. And this does not make for harmony. It is further evident that capital raised by a small private undertaking, even with a Government guarantee, will cost more than money raised directly by the State. As against this a certain weight must in fairness be attached to the claim that the Branch Line Company obtains from local sources money that would never be subscribed to a Government loan. There may also be certain cases of a branch line of smaller gauge worked independently, where the Branch Line Company can operate more economically than is possible to a main line.

179. But there is an objection to Branch Line Companies which goes much deeper. India has only 36,700 miles of line. The Mackay Committee 14 years ago said India needed 100,000. But if the extensions are to be made by scores and hundreds of little independent companies, the resulting confusion will be inconceivable. Naturally each company, small or great, desires to reserve for itself what in the diplomatic world is called a sphere of influence; and jealously claims that, if any new-comer intrudes into that sphere, he shall pay toll to the original concessionaire. Take the case of two main lines, starting out alongside from Bombay or Calcutta, and gradually diverging from one another. When they are at a distance of 200 miles from the terminus, at which point the two lines are 50 miles apart, there is a station on line A. Halfway from this station in the direction of line B there is a point of some local importance. A branch line is made to it and the local point develops. Thereupon the proposal is made to connect up this point with a corresponding station on line B, and a new branch line company is provisionally organised for the purpose. Difficulties at once arise. The old branch line company protests that the local point is within its sphere of influence, and main line A follows suit with a claim that it will lose the contributive value of the branch line traffic. How much attention the Railway Board pays to these protests must of course depend upon the facts of the individual case. But they are sure to be made. Sometimes they will prevail. And in any case they unnecessarily complicate a situation which ought to be considered solely from the point of view of the public interest. Or, again, there arises another class of cases where similar results follow. Company A affords a connection between two points. They are 100 miles apart as the crow flies, and 150 miles by the company's road. A small independent company proposes to connect the two points by a direct line, which in India is known as a chord. Naturally the old company protests, and permission for the construction of the new line—however obvious be the public benefit involved—is either refused or only given on a basis of elaborate accounting between the new company and the old for the profits which hypothetically would have belonged to the old line had the new line not been opened. Sometimes, in the Madras Presidency for instance, where exceptional powers exist to levy cesses for feeder railways, the promoter of a new branch line is not a company, but a District Board. And then considerations other than purely commercial come in and introduce further complications and protestations [1]

[1] Mention may be made here of the views expressed by the Government of Madras, who draw attention to a case in which, although no short-circuiting is involved, there has been a delay of over 10 years in arriving at a decision in regard to the terms for working a district board railway (the Nidamangalam-Mannargudi-Tiruturaipundi-Vedaranniam Railway) by the South Indian Railway Company. The Government of Madras also refer to the South Indian Railway Company Board of Directors' letter to the Agent, No. 248, dated 8th September 1920, from which the following extracts are quoted:—

"All that the Board now ask is that . . . . the protection which was promised them should be secured to them whenever the Government are granting concessions for the construction of new lines which will be, or which some day may become, part of Chord lines."

"The Board are anxious, as they have always been, to help . . . . the Government in any schemes for the advancement of the country, but they cannot be expected to make sacrifices . . . . of revenue when they can see no compensating benefits in other directions."

180. Far from approving of a policy which increases the number of possible claimants for the traffic of a given area, we think the aim of the Government should be to reduce by amalgamation the number of existing companies. At the same time we ought to say that the opinion has been pressed before us that, unless separate companies are allowed to make branch lines, in some cases they will never be made at all. We therefore feel bound to record our opinion that if the State cannot and will not provide adequate funds private enterprise in this direction should be encouraged.

The gauge question.

181. The "standard" Indian gauge is 5 ft. 6 ins. It is called the standard gauge. But in fact it is not the usual one. For of the 36,735 miles of railways in India, only 17,990 miles, slightly less than half, are on the 5 ft. 6 ins. gauge. There are over 15,000 miles of metre gauge line, nearly 3,000 miles of 2 ft. 6 ins. gauge, and over 600 miles of 2 ft. A thorough investigation of the gauge problem is urgent at this moment. How it should be solved, it is not for us even to suggest. But we think that the situation, as it at present exists, must be faced as a broad problem affecting the whole of India, and examined from the engineering, operating and financial side by a special Commission of two or three of the first experts who can be found after careful search, not in one country only.[1]

Employment of Indians.

182. At the date of the last report there were employed on the railways of India about 710,000 persons; of these, roughly 700,000 were Indians and only 7,000 Europeans, a proportion of just 1 per cent. But the 7,000 were like a thin film of oil on the top of a glass of water, resting upon but hardly mixing with the 700,000 below. None of the highest posts are occupied by Indians; very few even of the higher. The position of a District Engineer, District Traffic Superintendent, or of an Assistant Auditor is, with one or two exceptions, the highest to which Indians have hitherto attained. The detailed figures in Appendix No. 2 show that, on the principal railways of the country, out of 1,749 posts classed as superior, 182, or rather more than 10 per cent., are filled by Indians. Of the 182 Indians, 158 occupy posts as assistant district officers in the various departments; 24 have reached the higher grade of district officers.

183. That they have not been advanced to higher posts, that even in the subordinate posts of the official staff there are not more of them, has been a standing subject of complaint before us. With so natural a grievance we fully sympathise. And we agree with the Railway Board in desiring that the grounds for it should be as far as possible removed. Still, facts are stubborn things. The appointment of Europeans to the superior posts in the railway service is unavoidable unless and until Indians qualified by training and experience are available to fill them. The process of training them in a small way and in one branch only of the railway service —the Traffic Department—began a good many years ago on the State-managed lines. As a result, on those lines 13 Indian officers out of 68 have already attained the position of district officers, as against 11 out of 114 for all the other lines. Taking all Indian appointments together, we find that some companies have caught up, or nearly caught up, with the State lines. The State line percentage per 100 employees is 14·60; the percentage on the East Indian is 14·61; on the Bengal-Nagpur 12·12, and on the Assam-Bengal 10·17. Other companies, however, fall a good deal short of this. On the Great Indian Peninsula the figure is under 5 per cent., and on the Burma Railways it drops to under 3 per cent. The highest percentage of all, 15·25, is reached by the Nizam's Guaranteed State Railway Company. The employment of Indians in the higher posts is growing, but the process should be accelerated. We think the Government of India might consider the propriety of establishing a minimum percentage of Indians to be reached within a fixed period. The minimum would have to be higher or else the period shorter in the Traffic than in the Engineering or Locomotive Departments.

Facilities for technical training.

184. Until recently opportunities for the technical training of Indians were lacking. And in the absence of opportunities, naturally few Indians were able to reach the standard required for the superior posts. Certain opportunities are now being provided. At Calcutta, on the Oudh and Rohilkhand, and on the North-Western Railways, we have heard of interesting developments which are, however, still in the

[1] Sir Henry Burt dissents from this paragraph and has expressed his view in a Note attached to the Report.

initial stages, and much more remains to be done. India is a wide country and facilities in the north are of little use to Madrasis. Moreover, what educational facilities exist are concerned mainly with engineering; and engineering is only one side, and nowadays perhaps not the most important side, of the railway profession. Formal instruction in methods of operation in all their ramifications—signalling, train control, station management and so forth—needs to be provided. And from the economic and commercial side, courses dealing, for instance, with the relations between railways and the controlling authorities on the one side and their customers on the other, are, as far as we know, non-existent. And two classes of railway men have to be catered for: the men of higher education and social position in training for the superior posts, and the much larger number who do not usually advance beyond the subordinate grades. We are also of opinion that the system of selection and training of the young men appointed as probationers in the Traffic Department on Indian railways needs reconsideration. The whole subject is one which in our view should be in the special charge of the Railway Commission; and we think substantial grants of money should be made for the purpose of developing such instruction. **Need for extension.**

CHAPTER VII.

MANAGEMENT AND FINANCE.

Systems of management. Four possible alternatives.

185. We have remarked that, of the 36,735 route miles of railway in India, 7,369 miles are owned and worked by the State, and 17,768 also owned by the State are worked by guaranteed companies. The question on which we now have to advise in reference to these two classes is: should the State-worked lines be handed over to management by companies—English, or joint English and Indian, or Indian—or should the company-managed lines be resumed by the State; or should the maintenance of the present dual system be accepted as a permanent policy?

Committee rule out—(1) continuance of English domiciled companies. (2) combination of English and Indian domiciled companies.

186. The Committee are unanimous in advising that the system of management by companies of English domicile should not be continued after the termination of their existing contracts; we agree also that a system of management by a combination of English and Indian domiciled companies is impracticable; but we have been unable to agree as to the relative merits of management directly by the State and indirectly through companies domiciled in India. We proceed accordingly to deal with this part of our Report in three sections. The first gives a brief account of the existing conditions of the English guaranteed companies, and sets out the reasons for our unanimous opinion that the managing authority should in future have its headquarters in India and not in England. The second explains why five Members of the Committee, including the Chairman, hold that the management in India should be by direct State agency. The third presents the case, supported by the remaining five Members, for continuing a system of company management but through companies domiciled in India. The question how money required for future capital expenditure can be raised is so closely associated with the question of the system of management that it can best be dealt with in the latter two sections as an integral portion of the recommendations contained in them respectively.

Section 1.—Regarding management by Guaranteed Companies of English domicile.

English guaranteed companies. Their history.

187. The idea of a guaranteed company is familiar in railway politics. Normally a guaranteed company is a private enterprise, obtaining a concession for a limited period, and subscribing funds to build a railway, with a guarantee from the State that the earnings on the share capital shall not be less than a certain minimum figure. If the earnings fall short, the State makes up the deficiency; if they exceed the minimum, the company takes either the whole or a certain fixed proportion of the surplus. Such are the companies in France; such were some of the companies in Holland and the companies in Prussia and Italy till they were taken over by the State; such companies still exist in many of the South American States. And such at the outset were the Indian guaranteed companies. The East Indian built upwards from Calcutta through the rich Ganges plain; the Great Indian Peninsula built north-eastwards from Bombay, to Delhi on the one hand, and to a junction with the East Indian Railway from Calcutta on the other; and so on.

First period.

188. We see no reason to doubt that the formation of guaranteed companies with headquarters in London was wise at the time when the policy was adopted. India needed railways. The money to build them could only be found in England. And in the middle of the nineteenth century company shares were the form in which capital would naturally be raised. And no company could be expected to embark its capital without a guarantee from the State. Unfortunately, however, the companies fell for many years short of earning their guaranteed dividends, which had, therefore, to be made up to them by the State.

189. Reference to the details in Appendix No. 3 will show that there were three well marked periods. To the end of the last century there was an annual loss, amounting in the aggregate to £51½ millions. For the next 10 years the State secured a small annual profit ranging roughly from 100,000*l.* to £1¼ millions. For the last 9 years the profits have been considerable, averaging upwards of £4 millions per annum. The final result is a total profit of £44¾ millions—44¼ in the last 19 years—against the loss of £51½ millions in the earlier period.[1]

[1] Profit is to be understood as meaning net contribution to the general revenues of the State after payment of the working expenses of the railways, the interest on all debt incurred on their behalf, and certain repayments of capital amounting roughly to 1,000,000*l.* per annum.

190. From 1869 the formation of guaranteed companies ceased, and except in a few cases such new lines as were built in the next 10 years were constructed by the Government and operated and managed directly by them. The contracts with the original guaranteed companies ran for 50 or 60 years. But in every case the Government reserved the right to terminate the contract, and buy out the companies at an intermediate date after 25 or 30 years. And these powers, which first began to be exerciseable in 1879, have been in every case exercised. The form in which the purchase price has been paid varies; in some cases it was in cash, in some it was in India stock, in others it was wholly or in part in terminable annuities. We give two instances of the process adopted. The East Indian contract was terminated in 1879. The value of the Company's shares was fixed at 125*l.* per 100*l.*; the purchase price was accordingly ascertained to be 32,750,000*l.*, and this sum was commuted into a terminable annuity of 1,473,750*l.*, payable annually till February 1953. The East Indian system thereupon became the property of the State. The concession of the Great Indian Peninsula was for 50 years from 1850. It was not denounced in 1875, and accordingly ran till 1900. This line also was mainly paid for by the issue of terminable annuities. Certain lines constructed by companies which passed into the ownership of the Government on the termination of the concessions have remained under direct State management. Of these the Scinde, Punjab and Delhi, now absorbed in the North-Western; the Oudh and Rohilkhand, and the Eastern Bengal are the most important.

Intermediate period.

191. But by this time—the early eighties—the current of opinion in favour of direct State management had spent its main force. The State thereafter acquired the ownership of the other guaranteed companies' lines, but it retained the direct management of few. At this time also it was considered by Government expedient to enlist the aid of private enterprise in the construction of several railway extensions urgently required as a protection against famine. The most important of these were the Southern Mahratta, the Bengal-Nagpur and the Indian Midland Railways. The capital originally contributed by these Companies, which has gradually become only a small proportion of the total cost of their existing systems, received a guarantee of interest, the working of the lines after completion being entrusted to the companies, which in addition to the guaranteed interest were allowed to retain a share of the surplus profits.

Third period.

192. It will be seen that the State has acquired, or retained, the ownership of all the lines, but their management is mostly in the hands of Companies. The bulk of the lines were handed back to the management of the old Companies or of new Companies constituted on the basis of the old, or specially brought into being as described in the last paragraph.

Government sole owner.

193. And herein lies the essential difference between the existing guaranteed companies of India and the original ones. The old Companies were owners; the new Companies are not owners of the undertakings which they manage. When the old East Indian contract terminated, the Company was bought out, as has already been said, for 32,750,000*l.*, and payment of this price was made in the form of terminable annuities amounting to 1,473,750*l.* annually. Under the new contract shareholders, representing 6,550,000*l.*—one-fifth, that is, of the purchase price—agreed to postpone their annuity and in place of it to accept a new contract. These so-called deferred annuitants—*quasi* shareholders, as they might be called—now constitute the East Indian Railway Company. Under their contract with the Secretary of State the management of the undertaking is entrusted to them, and they are guaranteed 4 per cent. on the capital, plus a certain share of the surplus profits. Surplus profits mean so much of the gross receipts as remain after meeting working expenses, annuity sinking fund payments, and interest on loan capital, whether in the form of debentures and debenture stock of the Company, or of loans or advances by the Secretary of State. Of this profit the Company was entitled—subject to minor conditions which need not be mentioned—under the contract of 1880 to one-fifth, and under the contract of 1900 to one-fifteenth. Under the present interim contract the Company's share is one-hundredth. Even if we ignore the present interim contract and go back to the previous one, it will be seen that the Company's proportion of the total profits is very small.

Status of the guaranteed companies.

The East Indian Railway Company.

The State's preponderant interest in profits.

194. And there is more than this. The capital of the deferred annuitants represents actual cash handed over and invested for the capital purposes of the undertaking. The Secretary of State's share, on which his proportion of the surplus income is based, does not necessarily represent the actual cash invest-

Goodwill belongs to the State.

ment. Some part of it is merely a capitalisation of the goodwill created under the original contract by the joint efforts of the owning Company and the guaranteeing Government. The proposition was worked out in this way: The Government acquired the undertaking of a given Company for, say, 1,000,000*l.* The undertaking had been earning on the average of the last five years a net revenue of 100,000*l.* In other words, capitalised on a 5 per cent. basis, the property was worth 2,000,000*l.* When it came to fixing the respective capital of the two parties to the new contract, on the basis of which the surplus profits were to be divided, the Secretary of State's capital was assumed to be not the 1,000,000*l.* cash which he had paid, but the 2,000,000*l.* which the asset was regarded as worth; while the amount put in by the Company was taken to be not more than the cash capital which its shareholders subscribed. In a word, the Secretary of State acquired the property out and out, and the goodwill, realised by the joint efforts of the old Company and the owning Government, passed with the physical assets. The new contract was given to a Company which, though it had the old capital, the old directors, and the old shareholders, was regarded as a new Company starting *de novo* with no inheritance of the goodwill partly due to its former efforts.

195. Under the existing contract the share of the East Indian Company in the surplus profits has been reduced almost to a vanishing point. In the words of the Agent of the Railway: "to afford the deferred annuitants an extra shilling per cent. per "annum I must either effect economies or increase earnings by Rs. 40 lakhs (say "250,000*l.*) in the year."

Companies not joint owners.

196. From this brief recital of an exceedingly complicated story two broad facts stand out. The one is that the entity known as the East Indian Railway Company is not, in the ordinary sense of the word, a railway company at all. Not only does it not own a mile of railway nor a single engine, but it is not joint owner even to an infinitesimal extent of the East Indian Railway undertaking. The East Indian Railway belongs, lock, stock and barrel, to the Government of India. If, on the termination of the latest contract in 1924, the Secretary of State declines to renew the contract, the Company merely expires. It hardly seems to need to be wound up, for it will possess no assets. The quasi-shareholders, the deferred annuitants, will revert to the position of ordinary annuitants. If the Company survives, it will only continue to exist as a machine for the distribution to the annuitants of the annual payments due to them.

197. We have described at some length the position of the East Indian Railway, as it is both the earliest and most important of the guaranteed companies, and though the process of the extrusion of the private investor has been carried further in the case of that railway, the East Indian position is practically typical of the whole situation of all the other guaranteed companies. It is true that in no other case have the shareholders so small an interest in the profits of the undertaking, for the share of surplus profits receivable by the other companies ranges from one-twentieth in the case of the Great Indian Peninsula Railway to slightly more than one-third ($\frac{1}{3}\frac{2}{5}$) in the case of the Burma Railways. But of all it is true that the so-called shareholders have no share of the assets of the undertaking. The difference between the East Indian Railway and the other guaranteed companies is that whereas the share capital of the East Indian has already been commuted into annuities, the other companies still retain a share capital which has to be repaid to them when their contracts are terminated.

Their debentures not a charge on assets.

198. We have pointed out that a shareholder in an Indian guaranteed railway company is not a railway shareholder at all as the word is commonly understood. We find that the debenture holder of a guaranteed railway occupies an equally unusual position. His security—the guarantee of the Secretary of State—is doubtless ample; but it is not what it would naturally be supposed to be. Normally a debenture holder has a charge on the undertaking to which he lends money, and can enforce his rights either by the appointment of a receiver or by foreclosure and sale. The debenture holder of an Indian railway has no such charge. The company to which he lends money is not the owner of the undertaking; he has only a personal contract with the owner of the undertaking, the Secretary of State. What happens is this. The prospectuses of all the debenture issues that we have seen state that the money is "required for the general purposes of the Company." The subscriptions are actually paid into the Bank of England, by or on behalf of the

Company, to the credit of the Secretary of State. If the Company is in debt to the Secretary of State for advances, these advances are written down in his books by the amount of the new issue, but the actual cash received remains in his possession. A witness described the procedure to us by saying that the Secretary of State acts as, in a sense, banker to the Company. Seeing that the Secretary of State holds the money in his own name; that the Company have no power to touch it without his consent; that in fact he frequently applies it to expenditure on another railway; and that, even on the undertaking of the issuing company, the money can only be spent when and to such an extent as the Secretary of State permits, and on works which he approves, it does not seem to us that the use of the term "banker" is really helpful in understanding the actual facts of the case.

Dates when contracts are terminable.

199. The contract with the East Indian Railway Company, as we have said, expires in 1924; that with the Great Indian Peninsula Railway, the next largest company, in the following year. The contracts with the remaining six guaranteed companies are terminable by the Secretary of State at various dates, ranging from 1928 in the case of the Burma Railways Company to 1950 in the case of the Bengal-Nagpur. In none of these contracts is there any option reserved to the Secretary of State to resume possession of the railway on previously agreed terms at any time during the currency of the contract. The contracts vary widely in terms, financial and other, and also in period of duration. But their essential quality is the same throughout. The nominal shareholders have no share in the property of which they are called shareholders; the nominal debenture holders have no charge upon the property under whose name their debentures are issued.

Proportionate investment, State and Company.

200. The total investment in the undertakings of the eight guaranteed companies is 261,675,900*l.* The subscribed share capital of the eight companies (including the "deferred" annuitants of the East Indian Railway) is 24,620,300*l.* The balance 237,055,600*l.*, is loan capital and Government capital invested either at fixed interest or on profit sharing terms.[1] It will be seen that even if the investment of the shareholders be regarded as railway share capital in the ordinary sense, the guaranteed shareholders' interest in the whole of the eight undertakings amounts to less than 10 per cent. of the total invested capital.

201. We have in the foregoing paragraphs briefly described the position which the present guaranteed companies now hold in regard to their financial relations to the State—the owner of the railway; and we have shown that the companies have acted only as agents of the Secretary of State in the raising of capital by means of debentures which in fact have been merely State loans under another name.

Companies not allowed to increase their share.

202. With the permission of the Secretary of State the capital of the several companies could have been increased, and although Sir Thomas Robertson in his Report of 1903 recommended that the companies should be allowed to obtain a larger interest in their undertakings, a recommendation which was renewed in the Report of the Committee presided over by Sir James Mackay (now Lord Inchcape) in 1908, the Secretary of State has steadily refused to accede to the suggestion.

Demand for transfer of control to India.

203. It must be admitted, therefore, that the part which the present guaranteed companies subsequent to the date of their formation have played in financing the railways has, through no fault of their own, been quite unimportant. A reversal of the present policy in the direction of permitting the English domiciled companies to increase their share capital in the undertakings which they now manage would meet with strong opposition from a large body of the public in India. We cannot, there-

[1] The details making up the total are:—

	£
Companies share capital (including East Indian Railway deferred annuities 6,550,000*l.*)	24,620,300
Debentures and Debenture Stock	40,830,500
Government capital invested either at fixed rates of interest or on profit sharing terms	108,084,500
Outstanding capital being redeemed by Annuities	54,914,700
Outstanding debt incurred by Government for the purchase of railways	33,225,900
Total	£261,675,900

fore, recommend the adoption of that course. Moreover, an overwhelming majority of the witnesses who appeared before us in India, whether individually they advocated State or company management, urged that the time had now come when the control, both financial and administrative, of the Indian railways should be transferred to India. That view is entitled, in our opinion, to very great weight.

204. When, in the years succeeding 1880 the present status of the guaranteed companies was fixed, reasons which at the time appeared sound may have justified the adoption of the policy which, while retaining in the hands of Government the absolute ownership of the railways, freed Government from their detailed management and handed over their working to English domiciled companies.

Arguments in favour of London boards.

205. It has been represented to us that the London boards still continue to serve a useful purpose in supervising and controlling closely all expenditure, that there are distinct advantages in keeping in touch through the London Boards with British manufacturers, with British consulting engineers, and with the London Stock Exchange, as also in maintaining an agency in London for the recruitment of the European railway staff. Again, stress has been laid on the technical and administrative knowledge of the directors, on their familiarity with Indian conditions, and on the value of those qualifications in the initiation and elaboration of schemes and projects for the improvement and development of the railways they control.

Arguments against control from London.

206. Advantages may be claimed for the exercise by the London boards of the functions to which we have referred and for the technical and expert knowledge which many of the directors possess. But conditions in India have changed so greatly in the last few years, and are changing so rapidly at this moment, that whatever may have been the position in the past we think the advantages of English management are now outweighed by the great disadvantages of absentee control and the difficulty of keeping in close touch with the modern social and trade conditions of India.

Committee recommend transfer.

207. For the foregoing reasons we unanimously recommend that the English domiciled guaranteed companies should cease to exist at the termination of their present contracts.

208. When the East Indian contract expires in 1924 no money will be required, as there is no capital to repay. The capital of the Great Indian Peninsula Railway, repayable in 1925, is only 2,575,000*l*. The next contract to fall in, that with the Burma Railways Company, is terminable in 1928; the amount of the capital to be repaid is 3,000,000*l*. The contracts of the other guaranteed companies are terminable at the following dates:—

1931, Assam-Bengal.
1937, Madras and Southern Mahratta.
1941, Bombay, Baroda and Central India.
1945, South Indian.
1950, Bengal-Nagpur.

Exceptional position of Assam-Bengal Railway.

The position of the Assam-Bengal Company is exceptional. All the other guaranteed companies earn, in the shape of their share of surplus profits, a substantial dividend above the guaranteed minimum, and their shares, even under the exceptional market conditions of the present moment, stand in the neighbourhood of par. The Assam-Bengal net receipts do not even meet the 3 per cent. guarantee. The shares are consequently quoted at present at about 45. We should hesitate to advise that the Secretary of State should pay off at par in 1931 shares now standing at 45. But the Company is not important, and there is ample time for consideration of this exceptional case between now and 1931. In any case, the amount at issue is not large.

Transfer as contracts expire.

209. A few Indian witnesses who appeared before us urged that the terms should be curtailed and the companies compulsorily expropriated; but the great body of them have expressed themselves content to allow the contracts to expire naturally by efflux of time. And with this opinion we agree. Not only do we think that compulsory expropriation should always be avoided if possible, but we also are of opinion that for many years to come all the new capital that can be raised for Indian railways will be better spent in improvements and extensions than in paying off private capital that is already invested.

Section 2.—Proposals for Future Management, and the Methods of Raising Additional Capital.

BY THE CHAIRMAN, THE HON. MR. V. S. S. SASTRI, MR. E. H. HILEY, MR. PURSHOTAMDAS THAKURDAS, AND MR. J. TUKE.

Future Management.

210. Our Reference instructed us to consider four possible methods of management of the Indian railways belonging to the State: by English companies, by Indian companies, by a combination of English and Indian companies, or directly by the State; and to advise on the relative advantages of these four methods. The Committee have unanimously ruled out management either by English companies or by combinations of English and Indian companies. There remains, therefore, for discussion only the alternative between management by Indian companies and management directly by the State. But we desire to add to that portion of the Report (Section 1 above) to which the Committee have unanimously agreed, some further observations on the subject of the English companies, which in our judgment have a direct bearing on the question of State *v.* company management in India. **State *v.* Company management in India.**

211. The Committee have unanimously recommended that the English companies shall be brought to an end on the broad ground that they do not correspond with modern Indian conditions. But in our judgment there is another and even stronger ground, that they represent a system essentially unworkable. There is a great deal to be said for company management. Few people will be found to deny that a company, investing its own money, managing its own property, and judging its officials by their success in producing results in the shape of dividends, usually conducts its business with more enterprise, economy and flexibility than are found by experience to be attained in businesses directly managed by the State. It is, we think, strictly germane to the question we have now to consider, to point out that the English companies ceased many years ago to be companies in this sense. **Further observations on existing system.** **Essentially unworkable.**

212. The property entrusted to their management is not their own, and their financial stake in the undertakings is, as we have said, relatively very small. But it might be urged that the objection on these grounds to their continuance is merely theoretical. In a work-a-day world it matters little whether a system is logical, provided that it works. Our experience and investigations in India have led us to the quite definite conclusion that the system never has worked satisfactorily, and cannot be made to do so. The management of the undertakings is nominally entrusted to the several guaranteed companies. We say "nominally," for the Government, feeling itself to be the real owner and ultimately responsible, not only financially, but also morally and politically, for the policy pursued, has always refused to leave any real initiative in their hands. And as by the interposition of the companies the Government is kept apart from direct management, it in its turn does not feel an obligation to undertake the initiative itself. **Has not been successful.** **Company has no initiative. Nor has Government.**

213. On the board of each company there sits a Director, nominated by the Government, with a power of veto over any decision come to by his colleagues. It is true that we have been informed that this power of veto, though it has existed from the beginning, is believed never to have been exercised in any single case. But the explanation is largely that the existence of the power of veto suffices—a board of business men would naturally refrain from passing a resolution which they were warned in advance would not be permitted to take effect. **Government Director's veto.**

214. Further, the Government control is enforceable and enforced by other methods. The freedom of the board and its officials to act is confined in nearly every direction by the Government. The Company does not retain control over its own revenue receipts or regulate its own revenue expenditure. The current cash receipts are required to be paid into the Government Treasury to the credit of the Secretary of State. Such moneys as may be necessary to meet current expenditure are furnished to the Company out of the Treasury as required, subject to restrictions prescribed by Government, and not necessarily to the extent desired by the Company. It is true that the Company appoints its own staff, but the cadres are fixed by the Government—so many officers and servants of each kind at scales of remuneration which the Company may not exceed. Should the Agent of the Company desire in an exceptionally meritorious case to increase the pay of a station-master at a station where the maximum is fixed at **Government's detailed control.**

Rs. 250 per month to Rs. 260, Government sanction has to be applied for and obtained. No new appointment, even of a temporary nature, carrying a salary beyond Rs. 250 per month, can be created without specific Government sanction—a sanction which we are told sometimes fails to be obtained till the purpose for which the appointment was urgently desired has ceased to exist. In the case of a temporary appointee, we are even informed that rules laid down by Government, which cannot be departed from without express Government permission, prescribe the maximum leave of absence which the Company is entitled to grant. In a word, the Company does not and cannot manage the undertaking; it cannot, without the permission of Government, break new ground in any direction. Neither does the Government manage; it only controls and restrains. Further, as the control over railways in every case where money is involved really rests, not with the railway, but with the Finance Department of the Government, this control tends to take the form of refusing to face any exceptional investment of new money, however great may be its potential earning power.

Government's control essentially negative.

215. While the Companies have no real power to manage the undertakings nominally entrusted to them, on the other hand, if a Company is supine, the Government, which suffers both as representing the public interest and also in its capacity as shareholder, is powerless to intervene. The agent and his staff are appointed by, and can only be dismissed by, the board of directors. However urgent be the necessity for the adoption of new operating methods, for improvements in plant or equipment, for the modification of freight rates to encourage new traffic, and so forth, the Government can merely propose and suggest; it can only give orders in cases where public safety is involved. A system seems to have little to recommend it under which, on the one hand, a progressive Company is hampered by meticulous Government control of every detail of expenditure, while on the other hand the utmost wisdom on the part of the Government cannot prevent the injury caused by the unwise and unprogressive policy of a Company's board, at once to the revenues of the State and to the economic development of the country.

Freedom for private enterprise non-existent.

216. Our conclusion therefore is, in a word, that the guaranteed companies do not possess the essential attributes which belong to ordinary companies. To claim that, because ordinary companies possess the advantages of energy, enterprise, and so forth, therefore companies of the nature which we have described may be expected to possess these advantages, is to be misled by a mere name.

Establishment of companies with real independence impossible.

217. But it is to companies substantially of the same nature as the present English companies that our colleagues who reject the idea of direct State management propose to transfer the management of Indian railways. Governments in other countries have before now sold their railways out and out to private companies. Whether this was or was not a wise policy we have no need to discuss. No one yet, as far as we are aware, has proposed that private capitalists should buy out and out from the Government the East Indian and the Great Indian Peninsula Railways. It would involve raising capital amounting to something like Rs. 200 crores. Even the purchase of a half interest would mean raising Rs. 100 crores. Nor, in the circumstances, can we imagine that any such proposal, if made, would have any chance of acceptance by the Government or be able to secure from the public the requisite financial support.

And not in fact proposed.

218. The proposal put forward by our colleagues is that the management of these undertakings shall be transferred from English to Indian companies, which would never have more than a minority interest in the undertakings, and that the Government, remaining the predominant partner, shall appoint one half of the directors and nominate the chairman and so retain its control. We do not think that the change of domicile of the board of directors would make the scheme workable. We think that the division of responsibility between the Government and the boards of directors, which has hitherto existed, is in large measure responsible for the failure of the Indian railway system to meet its obligations to the public. We cannot believe that executive officers with a divided allegiance to the board of directors which appoints and pays them, and to the Government authority which stands behind the directors, can ever do the best work of which they are capable.

The force of tradition.

219. But as we have said, the present system has a long tradition behind it. Officials both of the Government and of the railways have grown up under it, and become used to it. And in our judgment if the management of the East Indian and the Great Indian Peninsula Railway is transferred to new companies in Calcutta and

Bombay, substantially similar to the existing English companies, it will be found in practice impossible to break away from the old system. And that system, in our judgment, is essentially bad.

220. We will add one further point. The directors of the guaranteed companies have grown up with the present system. Many of them are retired Indian railway officials who have borne the yoke in their youth. Whether competent boards of directors could be found at the outset in India is a question which we need not discuss, though strong opinions to the contrary were expressed by representative European witnesses in the presidency towns. But we feel certain that, if prominent business men, accustomed to ordinary commercial methods, were to join boards and then find their powers limited by Government control and Government regulations in any measure comparable to those which exist at present, they would very soon resign their posts.

221. Our first reason then for rejecting the proposal to establish boards in India is that in effect they would succeed to the position hitherto occupied by the boards in England. And this position we regard as fundamentally incompatible with successful administration.

Indian demand for direct State management.

222. We now proceed to discuss the question from a quite different angle. Indian public opinion is practically unanimous in demanding that the owner shall manage directly. We see no reason to believe that the mere transfer of the management from companies domiciled in England to companies domiciled in India would satisfy Indian public opinion. Nor, judging from the evidence before us, would such a transfer meet with general approval by Europeans in India. For though almost all the European witnesses whom we examined upon this point favoured company management, only 9 out of 19 supported Indian company management, the remaining 10 contemplated either management by companies domiciled in England or by a combination of English and Indian domiciled companies.

An atmosphere of hostility.

223. We attach great importance to the fact that Indian public opinion is against company management, and this not only on the general ground that Indian opinion is entitled to great weight on a question such as this, but for another reason of great practical importance. It is with money secured on Indian taxation that the Indian railways have been almost entirely built. It is the Indian public that uses the railways and pays the railway rates and fares. It is the Legislative Assembly at Delhi which under the new constitution votes the railway budget. It is of the utmost importance that Indian public opinion should not be prepossessed against the railway management. As a matter of practical politics it must always be remembered that a railway undertaking is a large and widespread concern; it employs a staff numbering very many thousands; and this staff, some of whom will certainly be stupid, careless, and possibly even corrupt, comes in contact every year with millions of customers, whether as traders or as passengers. "Give a dog a bad name and hang him" is a very true proverb in this connection. We do not think in this fallible world company management can be so good as to escape fierce, often unfair, criticism from Indian opinion. Even if we were to assume that State management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public.

Absorption of Oudh and Rohilkhand by East Indian Railway proposed.

224. In the case of the East Indian Railway there is another reason in favour of direct State management. For hundreds of miles in the North West from Ambala roughly to Allahabad, the main line of the East Indian is parallel with the main line of the Oudh and Rohilkhand State Railway. Both lines are at present overcrowded and inadequately equipped to deal with the traffic offering. If they were combined together and worked as a single system they would be at least less inadequate, as through traffic could be diverted from one to the other according to the greater or less demands on either for the accommodation of local traffic. At present the two systems compete and we have the curious but not unnatural position that the company management of the East Indian Railway, being interested to the extent of one-hundredth in the net profits of that undertaking, endeavour to retain on their own line traffic which could more conveniently be carried by the Oudh and Rohilkhand.

"Transfer of domicile" a misleading phrase.

225. It is now necessary to consider what the transfer of the management from a company domiciled in England to a company domiciled in India really means. The phrase "transfer of domicile" has been freely used. It is incorrect. There is

nothing to transfer. The contracts between the Government and the East Indian, and Great Indian Peninsula Railway Companies terminate in 1924 and 1925 respectively. When the East Indian contract terminates, the deferred annuitants, to whom the management is at present entrusted, merely revert to the position of ordinary annuitants. Similarly in the following year the shareholders in the Great Indian Peninsula will be paid off at par. The Company will presumably be wound up. The management of both undertakings will automatically revert to the Government. An Indian company would be a new creation, operating under a new contract. What would be the conditions on which these new companies would be established? What would be their constitution? What would be the nature of their contracts?

The proposed new company.

Our colleagues propose that a new company shall be constituted to manage the East Indian, the bulk of its capital being issued to the Government: that it shall at the outset have a comparatively small amount of privately subscribed capital, say five crores of rupees; and that fresh private capital shall be subscribed year by year as new money is required for the improvement and development of the undertaking, a figure which was put to us by the agent of the railway as probably amounting to about four crores per annum. At this rate after five years the share of the capital held by private investors in the new company would be Rs. 21 crores. The East Indian as capitalised at present has in round figures a capital of Rs. 80 crores. At the end of five years, therefore, supposing the capital invested by the Government has not been increased, the company's investment would amount to only one-fifth of the total. We fail to see why the Government should delegate any substantial responsibility to a body representing so small a share of the total capital at stake. We know of no company in which 80 per cent. of the shareholders depute their rights to the remaining 20 per cent. When, as at the outset, the new company's interest is less than one-sixteenth, the proposition seems still more courageous. If the Government were to recapitalise its interest in the net revenue of this very profitable undertaking, on, say, a 6 per cent. basis, the proportionate interest of the new shareholders in the company would of course be very much less. But unless the Government does delegate substantial responsibility it is useless to talk of the flexibility, enterprise, and so forth, to be obtained by company management.

The minority interest of outside shareholders.

Will majority delegate management to minority.

226. Further, the shareholders in the proposed new company would not be like those in an ordinary company. It is not suggested, as we understand, that they should risk their money relying solely on the prospects of their successful management. It is not claimed that any appreciable amount of capital would be subscribed without a Government guarantee. And this guarantee is to be fixed, not like the guarantees given hitherto at 3 per cent. or $3\frac{1}{2}$ per cent. or 4 per cent., but at 1 per cent. below the price at which the Government can borrow directly, say, at the present moment, a guarantee of 5 per cent. The new shareholder then is to obtain 5 per cent. certain, and in addition a share in the profits, which will make the probable return at least better than 6 per cent. He sacrifices a certainty of 1 per cent. What will he expect in return? We may assume that he will not subscribe unless he feels confident that on the average he will receive at least 8 per cent. That is, he will not regard a potentiality of anything less than 3 per cent. above the guaranteed 5 per cent. as more attractive than a certainty of 1 per cent. That this scheme might secure a certain number of crores of semi-speculative investment, is probable. But that it would secure money in sufficient quantity to relieve the Government of the necessity of borrowing freely in its own name, we cannot believe. And even if it did, it would still be open to the objection that the public would pay dearly for the money.

Shareholders to take little risk.

But large profits.

We recommend State management.

227. We conclude, therefore, that no scheme for the establishment of Indian domiciled railway companies is acceptable. Only if relieved from risk of loss will shareholders subscribe at all. Even when so relieved, they will only subscribe relatively small amounts. Such small amounts would not justify entrusting them with substantially independent management. And unless management is substantially independent, the justification for the existence of a company disappears. And, therefore, approaching the question, not as one of national sentiment, but purely from the practical point of view, we find ourselves in agreement with the almost unanimous opinion of Indian witnesses, and recommend that the undertakings of guaranteed companies, as and when the contracts fall in, be entrusted to the direct management of the State.

228. We think it necessary here to draw special attention to the *caveat* which we have to enter. It is not State management as it has hitherto existed in India, whose

functions we recommend to be so greatly extended. In earlier chapters of this Report the Committee have pointed out the failure and drawbacks of the existing system of control of Indian railways, whether considered from the executive and administrative or from the financial point of view. To the Government Departments concerned, as at present constituted and administered, we should hesitate to entrust any new responsibilities, in respect either of State or company managed railways. Our recommendation as to State management must therefore be read as coupled with and conditioned on the adoption—at least substantially, and in main outline—of the recommendations which we have made with respect to financial and administrative reforms.

But only on condition of essential reforms of Government machinery.

229. Our colleagues who desire to introduce the new system of guaranteed companies with Indian domicile have, in paras. 248 to 310, set out their objections to direct State management. We will deal with them very briefly. Their first point is that "reliance cannot be placed solely on Government for the provision of the necessary funds." That the Government has not provided sufficient money in the past, we fully agree. We fail to find any evidence that it has not been or will not be able to do so. If a borrower fails to get money because he refuses to pay the market price for it, that is no evidence that, when he offers to pay the market price, he will fail to obtain it. The total indebtedness of the Indian Government is some 410,000,000*l.*; and the whole of this except 110,000,000*l.* is earning not merely its interest but a substantial profit. The Commonwealth and State Governments of Australia, with a population of only 5,000,000 people, have been able to borrow more than 800,000,000*l.*, though a much larger proportion of this sum than in the case of India is non-revenue earning. They are still borrowing, and their issues are still readily subscribed in London. If we agreed with our colleagues in thinking that the fact that the Government has not borrowed money enough is a proof that they cannot borrow money enough—they offer no evidence in support of their opinion—we should be prepared to agree with them in their conclusion. For we think it would be a lesser evil that the railways should be managed on what we believe to be a bad system than that they should continue to be starved as they have been in the past.

Government must find adequate funds

Can get money if it pays the price.

Comparison with Australia

230. Our colleagues further claim that the improvements in the administration of State railways which have been effected are due to the emulation inspired by company management. But in fact, and speaking of present conditions, we have found no reason in India to think that company management is more efficient or more enterprising than State management. We have found quite as much zeal for improvement, quite as much readiness to adopt new methods, on State railways as on the company lines. This conclusion is identical with that reported in the Government of India's Despatch No. 18, Railway, of the 17th August 1917 to the Secretary of State, which stated their "unanimous view that so far as efficiency is concerned, "there is really nothing to choose between a company managed line in this "country and one under State management." It is also identical with that of the present members of the Railway Board, whose considered opinion in a written statement which they submitted to us in Delhi, is that "judging from the evidence of "results and from our own experience in administration, there is no ground for "supposing that either system of management is intrinsically superior to the other." And this is what might naturally have been expected, for the methods of management of the two classes are substantially the same. The only important difference is that the agents of the companies have the assistance of expert and experienced boards in England. And this expert assistance and experience our colleagues agree it is desirable for them to forgo.

State and Company management in India are equally efficient

231. We desire to add here that our criticisms of methods of management and control imply no blame to the men who have to work under the disabilities which we have described, and for which they are in no way responsible. On the contrary, on our tour through India, though it was no part of our duty to investigate the management of individual systems, we have seen ample evidence that excellent work is being done in spite of the disheartening conditions both on State and company-managed lines.

Excellent work of officials in spite of discouraging conditions.

232. Our colleagues further suggest that experience in other countries justifies their preference for company management. Our reply is twofold: that in India company management in the ordinary meaning of the words does not exist, and cannot, we believe, be brought into existence; and, secondly, that a report on Indian railways is not the place to discuss the general question of State *v.* company

management. Unless it is fully discussed isolated details are valueless. For its adequate discussion a volume would hardly suffice. We are not unfamiliar with the instances advanced and with the surrounding circumstances, or with the examples of successful management which might be adduced on the other side. But we prefer to leave to our colleagues all the advantage which their references may afford them.

233. The whole reference to foreign countries is, in our opinion, irrelevant. It may be that State ownership in the countries mentioned is a mistake. We have, however, not to advise about the past policy of other countries, but about a future policy for India under the conditions that we find there to-day. Conditions in India being what they are, we have failed to find any solution of the problem submitted to us consistent with the retention of company management. We therefore do not hesitate, though most of us have approached the question with a strong prepossession in favour of private enterprise as a general proposition, to recommend that in India the State should manage directly the railways which it already owns.

234. Our colleagues have adduced lengthy statistics which they consider prove the inferiority of State management in India. The figures would have been more persuasive if the comparison had been made of like with like, or even if all the State-managed lines had been compared with all the guaranteed companies' lines and not with a selection from them.

235. Our colleagues suggest that company management will better secure the appointment and promotion of Indians in railway administration. They give no reasons in support of this opinion. We are unable to supply them. From the evidence we have received we conclude that the Indian public take the opposite view.

The company scheme will contribute little additional money.

236. Lastly, our colleagues consider that, under their scheme, Indian money would be raised so freely that there would be less need than in the past to have recourse to the English market. Our reply is that the total amount of additional money which could be raised by the proposed new companies would be so small a proportion of the whole amount needed that it would not appreciably affect the ratio in which the necessary funds would have to be raised as between the two countries. A rupee put into a Government loan is just as much Indian money as a rupee subscribed to a Calcutta company. And it will cost the Indian taxpayer a good deal less. The real question is not how much can be raised in India by share subscriptions, but how much will be subscribed in shares which would not be put into a Government railway loan. We see no reason to suppose that this latter amount will be other than quite small.

Adverse effect on London market.

237. Our own opinion is clearly that if the East Indian and Great Indian Peninsula undertakings were handed over to the management of Indian domiciled companies the effect would practically be to close the London market against them. Even now the Indian railways are out of favour. Sir Gerald Ryan, Chairman of the Phœnix Assurance Company, drew our attention to the obstacle to investment in Indian railway sterling securities caused by the fact that the total capital at present subscribed and outstanding, amounting to some £122½ millions, is subdivided into 63 different securities, no one of which is large enough to secure free dealing in the market. Sir Gerald remarked: "I would ask the Committee to consider how they can "expect a system of investments—£122½ millions amongst 21 railways, subdivided "into many different denominations and groups—to be anything like as popular as, let "us say, the Canadian Pacific Railway, which has 128,000,000*l*., or more than the "whole of the Indian railways put together, and where the stocks are in two or three "groups." The Hon. C. W. Biddulph, a member of a firm of jobbers in the Indian railway market, stated that there was only one other firm dealing in Indian railway stocks, as against six in the Argentine market. He gave as the reason for the infrequency of transactions that brokers and their clients say, "This is too complicated and I would rather you had something more straightforward." It is clear that the further increase in the number of different securities and the transfer of the domicile of the companies from England to India would not increase the popularity of Indian railway investments. It might, moreover, be found that the fact that the two chief productive assets of the Indian Government had been handed over to such management would render Indian Government loans themselves less attractive to the English investor.

238. The management of a great railway system by an Indian-domiciled company is admittedly an experiment. State management is not an experiment—it has long

existed in India, and our colleagues admit that it must continue in at least one very important case. Even, however, if it were a question of choice between two experiments, it appears to us that, assuming either experiment to be a failure, it would be easier to transfer a State-managed railway to a private company, as has frequently been done in the past, than to disestablish, on "six or twelve months' notice," a company already established. The machinery for testing the State experiment is in existence at this moment, while the machinery for the company experiment would need to be specially created. Further, in the former case, if the experiment failed, there would be no premium to pay, as our colleagues suggest would be necessary if the State were to take away from the newly-formed company the management of the East Indian Railway.

239. We regret to have been forced into controversy with our colleagues. We have based our recommendation mainly on the broad ground, which seems to us incontrovertible, that as a matter of practical politics companies substantially independent cannot be formed in India, and that without such independence the advantages of private enterprise are lost. The fact that our colleagues can only propose the formation of companies in which the State would own the great bulk of the stock, appoint half the directors, and nominate the chairman, with an ultimate appeal in case of disagreement on the board to the Government itself, has confirmed us in our belief that we have correctly understood the position.

The Method of Raising Additional Capital.

New capital must be raised wholly by the State.

240. We have, in conclusion, to make recommendations as to the method of financing railways in the future. It cannot be done through the existing Guaranteed Companies if the recommendation is adopted that no new capital shall be raised by them and that they shall gradually cease to exist. It cannot be done through affiliated companies, for their establishment is impracticable. The independent companies will continue to finance themselves. With the Branch Line Companies we have already dealt; at best they must always be relatively unimportant. It necessarily follows that in our opinion the State-owned railways must be financed solely by the Government.

That is, by the Central Government

241. And, when we speak of the Government, we mean the Central Government at Delhi alone. It is true that by two or three witnesses, and especially by Sir M. Visvesvaraya, whose name deservedly carries high authority, it has been urged that railway management should be largely decentralised and placed under the control of the several Provinces. We are quite unable to agree. If there is one thing that railway history teaches more emphatically than another, it is that centripetal forces are stronger than centrifugal; that aggregation into ever larger units promotes efficiency and economy. Examples are forthcoming from every quarter of the globe. Witness the universal acceptance in Great Britain at the present time of the principle of combining all the railways into four large groups. We have already mentioned how, when the Union of South Africa was formed, the railways of the four separate Provinces were amalgamated into a single system. At this moment there is pending in the French Chambers a Government Bill under which all the railways of France will, for most purposes, including finance, be co-ordinated and controlled as a single system. The war was hardly over when Germany decided to transfer the ownership from the individual State Governments to the Central Government and to work them as a single system. America affords a still more striking instance. In spite of the tenacity with which the Sovereign States of the Union—as they love to describe themselves—hold on to their independent rights, the Transportation Act of 1920 has provided for the transference of almost complete control over railway finance, new construction, rates and operation, from the separate States to the Federal Government.

Need for central control, decentralised management.

242. We have been told by some witnesses that centralisation in India is excessive; that 37,000 miles of railway, spread over a country so large and so diversified, cannot be managed from Delhi. We have already expressed the opinion that a considerable measure of executive decentralisation is necessary. But when we are told that the policy of the railways of India cannot be controlled from a single centre we entirely disagree. The mileage of the unified German railways is considerably more, and their traffic immensely greater. There is more than one private company in the United States at this moment whose traffic is double the total Indian traffic. No one will dispute that the Canadian Pacific, which

stretches across the Continent, is efficiently managed from a single centre at Montreal. The Canadian National Railways, which also extend from the Atlantic to the Pacific, are managed from Toronto.

Methods of raising money.

243. The precise method to be adopted for raising the new capital which will be required in the future cannot be laid down in advance. Methods must change from time to time according to financial conditions, as to which only experts in daily contact with the market can form an opinion. We do not think that the Indian Government has in the past exhausted all advantageous methods of raising money. In general terms we can say that in our opinion the necessary money must be raised by direct Government loans in India or in England as circumstances may dictate. Whether these loans shall be ordinary Government loans, or railway loans with or without a definite pledge by the Government that the money shall be devoted wholly to railway purposes, or whether again they shall be long or short term loans, are questions on which expert witnesses who have appeared before us have expressed divergent opinions. Our own opinion, after hearing the experts both in India and in England, is that at the present time issues in England should be ordinary sterling loans, but that the rupee loans in India would be more attractive if earmarked as for railway purposes.

Variety, and local distinctions.

Railway extension must wait.

244. The need for large capital expenditure for fresh railway development is great, and will continue as far as we can see for an indefinite number of years to come. But the question to-day is not one of development, but of putting the existing railway system into such a condition as to be able to handle with reasonable efficiency and despatch, not the traffic of the future, but the traffic which at present is clamouring for accommodation that the railways cannot give. How urgent this need is, has been sufficiently shown in the evidence which we have reproduced, but we doubt whether anyone will be able fully to appreciate its meaning unless he has, like ourselves, listened personally to the lamentable tale of railway shortcomings, told by scores of witnesses in all parts of India from Madras to the Punjab and from Bombay to Bengal. In present circumstances we feel that, broadly speaking, future development must wait. But the rehabilitation and bringing up to date of the existing system in the shortest possible time cannot in our judgment be postponed. We believe that, provided railway rates are reasonably increased, having regard to the economy of operation which may be expected once the railway machine is relieved of its present intolerable overloading and is able to receive and handle economically the traffic actually in sight, new money spent for this purpose will pay for itself directly. Even if it did not, we should think it incumbent upon the Government to spend it, and spend it forthwith. It is impossible to put into figures the loss which Indian trade and industry are suffering from the crippled condition of the railways; nor can the Government afford to ignore the discredit which is being brought upon the railway administration by the present conditions, and the bitter feelings aroused in millions of passengers by the overcrowding to which they are now subjected.

Rehabilitation imperative.

245. We therefore consider that, while new development should, so far as possible, be postponed to a more convenient season, the money required to put the existing lines into a position where they are capable of dealing adequately with existing traffic should be raised, even at to-day's price, as soon and spent as fast as the railways can put themselves into a position—by the recruitment of an adequate engineering staff, the enlargement of railway erecting-shops, and the assurance of a continuous flow of the necessary materials—to use it advantageously.

And in this connection we think that the recommendation of the Mackay Committee deserves attention:—

> "It may be possible in some years to obtain larger sums than are required to provide for expenditure at the annual rate which we contemplate, while in other years there may be strong reasons for reducing the loans. We assume that the Secretary of State will, as far as possible, take advantage of periods of easy money to raise funds in excess of his immediate requirements, thus minimising the risk of having to reduce the expenditure at a time of stringency."

This advice was not followed during the period of cheap money before the war. We think the Government will do well not to forget it when market conditions are again favourable.

246. There is a further point in this connection to which we attach great importance. Hitherto the money required by Indian railways has been raised mainly in London. The Government borrowed largely in India during the war.

But this borrowing was not for railways, but for war purposes. We think that from every point of view, not only financial—the recent wide fluctuations in the exchange value of the rupee have emphasised the financial side sufficiently—but also from the economic and political point of view, the money required for Indian railways should as far as possible be raised in India. We are informed that, before the war, Government rupee loans were taken "firm" by the three Presidency Banks, now amalgamated into the Imperial Bank of India, and that these banks subsequently disposed of their holdings to the public. No doubt the new branches which the Imperial Bank is establishing in considerable numbers will enable it to reach a wider circle of investors than before. But we think that the agency for the issue of Government loans requires to be organised much more thoroughly and on a much wider basis, and that the services of all the banks, both European and Indian, should be enlisted.

Organisation for popularising Government loans.

247. Those who had experience of the methods by which the vast sums of money required by the English Government during the war were raised are aware what was accomplished by the enlistment in advance, not only of all the banks, but of other great financial institutions, and even of private capitalists, and how in this way the participation of the whole public which had money to invest was secured. We believe this could be done in the same manner, though, of course, not to the same extent, in India, provided there was adequate preparation and a systematic organisation in the hands of experts. A good deal can be done by personal invitation to Indian Princes and other great landowners and capitalists. But more important still is to tap the surplus resources of the mass of the people, the great bulk of whose savings, according to traditional Oriental ideas, still either goes into articles of personal adornment in gold and silver, or lies idle in each man's own possession. We have had interesting evidence from Indian witnesses as to the extent to which this immemorial custom is beginning to break down in places where any sort of banking facilities are available and how the process can be accelerated in the future. One point is clear: the work of enlisting the support of the masses must be done on a retail scale, and mainly through Indian agencies, money dealers in actual personal touch with the people. The amount of the individual contributions will be, of course, small, but the population of India is immense. And all experience confirms the Indian evidence, that the first step is the most difficult, that the habit of investment grows by exercise.

Section 3.—Proposals for Future Management and the Methods of Raising Additional Capital.

By Sir H. P. Burt, Sir R. N. Mookerjee, Sir A. R. Anderson, Sir G. C. Godfrey and Sir H. Ledgard.

Future Management.

248. The most important issue referred to the Committee is that set out in para. (1) of our terms of reference, the question of direct State management of railways in India as opposed to management by companies; and any decision on this head must inevitably affect the decisions under the other heads of our reference, on which, however, there may be general agreement by the members of this Committee as a whole. But this issue of State *versus* company management is not such a clean-cut one as might appear at first sight, especially to those who advocate State management without any qualification; for it is not a question whether from now onwards all railways in India should be managed by the State or whether all should be managed by companies. On the one hand it is agreed that the position as regards at least one State railway, the North-Western, cannot for strategical considerations be altered; and on the other hand there is the case of the Bengal-Nagpur Railway Company, between whom and the Secretary of State there is a contract which is not terminable for more than a quarter of a century hence, in 1950. The company system cannot therefore be extended to the former, and, as for the latter, it appears to us that prudential considerations alone forbid the pronouncement of a permanent policy for meeting the circumstances which may exist at that advanced date. It is clear, therefore, and it must be recognised at the outset as fundamental to a proper consideration of the question, that for many years to come the dual system of both State and company operation must remain in force.

Pronouncement of permanent policy unwise.

249. There is another fundamental fact, of which the Indian public are perhaps not generally aware or sufficiently appreciative, but which has been brought prominently to the notice of the Committee through evidence; and that is that owing

to the effects of the war on Indian finance the Central Government will be unable for at least the next decade, and probably for much longer, to finance the railway systems to the extent which the development of the country demands. It is admitted on all hands that the State in the past has been fitful and parsimonious in its contributions to railways; it is this failure on the part of the State to provide for the crying needs of rail transport which is responsible more than anything else for the complaints made by the public against railways, and, though a separate railway budget which has been suggested is administratively possible, and may conceivably give more stabilisation, this will not in itself produce more money. For the future as regards railways, the State has not only to face the increased expenditure required to meet the deterioration caused by the war, but also to provide the increased facilities for traffic demanded by trade, consequent on the new industrial development, estimated to cost fully Rs. 30 crores per annum for some years to come without making any provision for the construction of new lines. At the same time the State has to finance the short-term war debt amounting to about 100,000,000*l.* and under the circumstances we are confident that reliance cannot be placed solely on Government for the provision of the necessary funds.

Government alone cannot supply the necessary funds.

250. Finally, there is a third fundamental fact which must not be overlooked, that the reforms of 1919 have created a new Legislature which has a great measure of control over the budget, and India is at the beginning of a new era which is designedly one of transition. As she advances in the direction of becoming a democratically-governed country, she will be faced with the dangers which lurk in the handling of a commercial business through the agency of a State service and which experience elsewhere condemns. India cannot ignore these dangers, even though they may not be immediately imminent.

Dangers of State management.

The immediate problem. E.I.Ry. and G.I.P. Ry.

251. The immediate problem which we have to consider resolves itself into the question what should be done in the case of the two guaranteed companies whose contracts are terminable in the near future, the East Indian Railway and the Great Indian Peninsula Railway, in 1924 and 1925 respectively. The next would be the Burma Railway in 1928, followed at intervals by other railways till 1950, when the contract with the Bengal-Nagpur Railway Company falls in. The importance of the question is greater than is suggested by the mention of the two railways whose contracts shortly expire, because their mileage is approximately one-third of the total mileage of all the guaranteed companies' lines in India, about 6,000 out of 19,000 miles, and they form the great arteries of the Indian system connecting the two largest cities, Bombay and Calcutta, with each other and with the capital at Delhi.

252. The problem raises two issues: in the first place, whether the management of company railways by London Boards should continue, or whether the management should be located in India. This issue has been partially settled by the decision of the Secretary of State, that the management of the East Indian Railway should be moved to India after the expiry of the present contract in 1924. We need not discuss further the arguments for and against a continuance of the London Boards. The weight of evidence in India rejects the present system of management by companies domiciled in England, and for the reasons stated in section 1 of this Chapter, and notwithstanding the valuable services rendered by the companies in the past, we are in agreement that that system should be changed, according as the several contracts can be determined.

253. As regards the second issue, whether, if the complete control be in India, management should be by a Company or by the State, it is desirable in the first instance to summarise briefly the case for each policy, as set forth in the recorded evidence of the Committee. The opinions elicited are very divergent.

Arguments in favour of company management.

254. Let us consider in the first place the arguments of those who favour company management. An important and weighty section of opinion, including that of the Railway Board, is opposed to the view that State management is the best, holding that, as railways are primarily commercial undertakings, they should be managed on a commercial basis, so as to secure economy and efficiency, that is to say, by a Company with a Board of Directors. The following are held by the same body of opinion to be some of the defects in State management: (1) constant transfers of senior officials, resulting in lack of continuity of policy; (2) the tendency to give promotion on the grounds of seniority alone without sufficient regard to efficiency or

Defects of State management.

local knowledge; (3) disregard of public opinion; and (4) lack of initiative and flexibility. Further, as regards the co-existence of company-managed railways and State railways, it is urged that improvements in the administration of State railways which have been effected during past years are mainly due to the emulation inspired by company management; in other words, that the initiative lies with the company-managed railways, and that emulation and comparison provide healthy results in the case of State-worked lines.

Emulation inspired by companies.

Arguments in favour of State management.

255. Turning in the second place to State management, we find that a large section of the Indian public supports the adoption of this system, because it believes that company management does not encourage the development of indigenous industries by sufficiently favourable treatment; that it gives preferential treatment to import and export goods; that under the present system of company management large profits are made in British interests; and that hitherto the companies have not employed Indians in higher appointments except to a very limited extent, and have not granted them adequate facilities for technical training. Without pausing to argue here whether these views are correct or not, we venture to think they are coloured by the impression that company management necessarily connotes management through Boards in London. This, however, is not an essential condition of company management in India, and we deal with this point later.

Demand for Indian control

256. There is, also, in addition to the negative dislike of company management on the part of the Indian public, a positive feeling caused by an awakened national self-consciousness that Indians should have more control in the management of the railways of their own country, and with this feeling we fully sympathise.

Company management preferred.

257. We have placed in prominent juxtaposition the opinions, as gleaned from evidence, of those who favour on the one hand State management and on the other company management. Holding, as we do, very strongly to the opinion that company rather than State management is best suited to meet Indian conditions, and agreeing with the views of those who advocate company management, we will proceed to develop the general arguments in favour of that system before attempting to put forward a constructive scheme for attaining that end. Our view is that State management, in other words complete nationalisation, should not be adopted in any country unless there are compelling circumstances which make it unavoidable. Let us examine such circumstances and see if they apply to India.

Arguments for nationalisation do not apply in Indian conditions.

258. Working expenses under certain conditions, such as nationalised wages or extravagant over-expansion, might be so high that a country would be forced to subsidise its railways. This would mean that rates had already been raised to the full extent that passengers and trade could bear or that there was not the traffic to bring in the necessary revenue, and that, therefore, no prospect existed of railways earning their interest or dividend. Under such a condition a State would have to nationalise to safeguard its subsidy, and thereby to maintain its communications. We do not find this to be the case in India.

259. Allied closely to the foregoing is another possible condition, that the financial outlook for railways was so gloomy that it would be hopeless to attempt to raise more railway capital. This certainly does not apply to India. One more possible condition may be mentioned; for military reasons it might be considered essential by a country to retain all railway operation in the hands of the State. Here again the conditions cannot possibly apply to India.

Faults in company management can be rectified.

260. It has been suggested that in India there is not company management in the ordinary meaning of the words, and that the system which exists there at present has not worked and cannot be made to work satisfactorily. The system is that the State owns the lines and contracts with companies to work them. There are certain faults in the way in which the system has been worked, but these are capable of elimination—they are not inherent in the system.

Complaints not peculiar to company managed lines.

Their origin.

261. The alleged imperfections of guaranteed companies are not due, as is currently believed in India, to company management in itself, and the evidence shows that the charges brought against railways are not peculiar to the company-managed lines. The main cause of the imperfections in company working (they are equally in evidence on State worked lines) is undoubtedly to be found in the past policy of the Government of India in regard to the financing of the contracting companies, under which Government, while assuming full responsibility for providing the necessary

funds for capital expenditure, and refusing to allow the companies to raise any capital of their own, has at the same time limited the amount to be spent each year to a figure considered financially expedient for the country. This policy of financial caution has proved, from the resultant inadequacy of funds and fluctuations in allotments, to be the serious hindrance to the proper development of the railways. This policy has been defended time after time as being necessary for a poor country like India and as essential for her future financial credit. Whether or not it is agreed that such a policy was sound in the past under the varying conditions that prevailed from year to year, most people will judge now from the perspective of time, that it was at best a timid policy proving disastrous to the trade and industry of the present day.

Inadequate allotments.

262. The difficulties referred to above which have so seriously hindered the railway administrations in India in meeting trade demands and providing better accommodation for passengers, particularly for the third class, afford no proof that the company system must be a failure and no argument in favour of complete nationalisation. In fact the latter might well result in perpetuating and even accentuating the timid financial policy to which we have referred, as it is on record that the companies repeatedly and strenuously pressed for greater liberality in expenditure. The working of the company system as evolved for India can only be judged in the light of the financial difficulties which have surrounded it at every turn. Freed from these difficulties, which are certainly not inseparable from the system, it has, in our opinion, great national advantages suitable for any country, in that it ensures the larger share of any profits which may be made from the railways going into the coffers of the State, while avoiding the extravagance and other serious disadvantages of State management through a vast and growing bureaucracy.

Reliance on Government for funds tried and found wanting.

No expectation of success in future.

New sources must be found.

263. We desire to emphasise this aspect of the case as strongly as possible. Reliance on Government for providing the necessary funds for railway purposes has been tried for many years and found to be altogether wanting. We have during the current year the curious spectacle of Government in its Industries Department doing all it can to encourage trade development, and in its Finance Department failing to supply funds necessary for the development of its transport services on which industries depend. We can see no reason for thinking that Government will be in a position to provide year by year the large sums needed for railway purposes, and we have given our reasons for coming to that conclusion. The future holds out little hope that greater reliance can be placed on Government in this connection, and we are convinced that the position will never be remedied if Government loans are alone relied upon to secure the vast amounts required for railway purposes. The extreme importance therefore of finding new sources for the supply of capital is evident.

Political considerations.

264. In dealing with this aspect of the case certain political factors in the situation must not be overlooked. It will contribute in a large measure to the well-being of India if the money which Government cannot provide for railways is found in that country and its resources tapped for the supply of a part at least of the additional capital needed. The keynote of the present policy in India is co-operation in the widest sense of the term wherever possible, and in our view the system of management which we advocate will secure co-operation in the raising of additional capital without injuring the credit of the Government of India or limiting in any way the control which, as is the universal practice in all countries, Government must exercise over a railway monopoly in order to safeguard the interests of the public.

Objection to State employment of labour force.

265. We have drawn attention in an earlier part of this separate Section to the dangers which India might some day have to face in the working of a commercial business through the agency of a State service. In this connection we cannot refrain from referring to the obvious objections, not to say the positive dangers, of making Government the sole employer of a vast labour force. Strikes so far on Indian railways have been sectional only, and have never as yet seriously affected communications. We feel confident that the position would be very different if the entire staff belonged to a State service.

Relations of State with staff.

266. Another weighty objection often urged against State management is the system of promotion by seniority and consequent lack of continuity of service on one railway. Now there should be no causal relation between the one and the other, but it is impossible to pass over the fact that in actual experience the fault does occur in every State service, owing to the tendency to allow seniority to assume undue importance in the selection of officials for the higher posts. Moreover a State service is always bound by rigid rules and scales of pay, and cannot allow the latitude exercised by a commercial concern in singling out and recognising merit.

267. So far as we know the only safeguard against these dangers and objections, which are inherent in the State operation of railways, is company management.

268. We will now allude briefly to the conditions in a few important countries where State management exists. The Swiss Federal railways in seven years (1914-20) have shown a loss of 200 million francs, say 8 to 10 million sterling. Before the war they were earning a small profit. Passenger fares have been increased by 40 to 60 per cent. Prior to 1914 and subsequent to the date of nationalisation there was a steady and often large increase in the cost of the staff and in the operating ratio. The Northern Railway of Austria, before it was taken over by the Government in 1906, paid a dividend averaging for the previous five years 12 per cent.; the Government succeeded in turning that profit into a loss. In Italy for a period of eight years from 1905, when Government took over the working of the railways, there has been a steady yearly increase in the operating costs and the return on the capital has declined. The South African railways show a loss of 2,000,000*l.* on the last two years' working. The American railways are in such a bad way consequent on the period of Government control, that President Harding in a recent address to Congress, after referring to the "heedlessness of cost of Government operation," emphatically asserted that there would be a foundation for rebuilding after the past disaster, if it was clearly understood that there would be no State ownership, and that the people would not be taxed to cover railway deficits. This shows the trend of opinion in a democratic country.

Example of other countries. Switzerland.

Austria.

Italy.

South Africa.

America.

269. It is quite clear that war and post-war conditions have had much to do with the high cost of railway operation in all countries, and that figures can be given showing the financial difficulties of company-operated lines; but State operation, hampered by standard rates and standard wages, is bound to be slow in getting back to more normal conditions and through lack of elasticity is likely to be far behind company operation in hastening on recuperation. We attach much weight to the fact that the Indian railways, with the balancing effect of company-managed lines, in spite of the serious handicap of inadequate facilities, and with a comparatively moderate increase of rates and fares, have not fallen into the low financial state of railways of many other countries, and we are confident that the result would not have been the same had all the railways been operated by the State.

Effects of war.

State operation not recuperative.

270. Comparisons in economy and efficiency invariably prove advantageous to company management, but it is not always easy to obtain suitable comparisons. We can, however, do so in India, and we quote a few figures which may prove enlightening to those who do not possess an intimate knowledge of Indian railway working. These figures have been extracted from statistical returns maintained by the Railway Department and, whether mathematically correct or not, they have all been arrived at on a common basis. It appears to us that the results exhibited, which are uniformly favourable to company management, are of sufficient interest to produce here.

Comparisons invariably favourable to company management.

Some examples.

Locomotives per Mile of Open Track.

Company Railways.	Per Mile	State Railways.	Per Mile.
Bengal-Nagpur	·27	North-Western	·30
East Indian	·51	Eastern Bengal	·51
Great Indian Peninsula	·40	Oudh and Rohilkhand	·17
Bombay, Baroda and Central India	·30		·98
Madras and Southern Mahratta	·25		
	1·73		
Average	·34	Average	·32

Ton Mileage per Engine in Thousands of Tons.

Company Railways.	Tons.	State Railways.	Tons.
Bengal-Nagpur	10,819	North-Western	7,855
East Indian	13,288	Eastern Bengal	5,681
Great Indian Peninsula	8,995	Oudh and Rohilkhand	9,537
Bombay, Baroda and Central India	11,175		23,073
Madras and Southern Mahratta	10,018		
	54,295		
Average	10,859	Average	7,691

Company railways 41 per cent. more.

Average Mileage run per Engine per Diem.

COMPANY RAILWAYS.	Miles.
Bengal-Nagpur	69
East Indian	79
Great Indian Peninsula	59
Bombay, Baroda and Central India	70
Madras and Southern Mahratta	62
	339
Average	67·8

STATE RAILWAYS.	Miles.
North-Western	52
Eastern Bengal	57
Oudh and Rohilkhand	58
	167
Average	55·6

Company railways, 21·9 per cent more mileage per diem.

Wagons per Mile of Open Track.

COMPANY RAILWAYS.	
Bengal-Nagpur	8·19
East Indian	12·51
Great Indian Peninsula	5·94
Bombay, Baroda and Central India	7·10
Madras and Southern Mahratta	4·57
	38·31
Average	7·66

STATE RAILWAYS.	
North-Western	5·83
Eastern Bengal	12·06
Oudh and Rohilkhand	5·10
	22·99
Average	7·66

Average Mileage run per Wagon per Annum.

COMPANY RAILWAYS.	Miles.
Bengal-Nagpur	13,619
East Indian	23,007
Great Indian Peninsula	14,392
Bombay, Baroda and Central India	17,690
Madras and Southern Mahratta	16,551
	85,259
Average	17,051

STATE RAILWAYS.	Miles.
North-Western	12,772
Eastern Bengal	12,659
Oudh and Rohilkhand	12,499
	37,930
Average	12,643

34 per cent. more mileage run by Company wagons per wagon per annum.

Percentage of Freight upon Capacity Hauled.

COMPANY RAILWAYS.	
Bengal-Nagpur	57·81
East Indian	45·05
Great Indian Peninsula	56·45
Bombay, Baroda and Central India	43·34
Madras and Southern Mahratta	48·71
	251·36
Average	50·27

STATE RAILWAYS.	
North-Western	49·84
Eastern-Bengal	31·43
Oudh and Rohilkhand	52·98
	134·25
Average	44·75

Average Weight of a Goods Train.

COMPANY RAILWAYS.	Freight.	Dead Weight.	Total.
Bengal-Nagpur	313·96	324·77	638·73
East Indian	326·87	426·75	753·62
Great Indian Peninsula	248·40	326·68	575·08
Bombay, Baroda and Central India	279·84	386·21	666.05
Madras and Southern Mahratta	262·61	335·08	597·69
	1,431·68	1,799·49	
Average	286·33	359·89	

125 tons dead weight per 100 tons of freight.

STATE RAILWAYS.	Freight.	Dead Weight.	Total.
North-Western	307·89	365·48	673·37
Eastern-Bengal	217·61	445·79	663·40
Oudh and Rohilkhand	296·72	355·92	652·64
	822·22	1,167·19	
Average	274·07	389·06	

141 tons of dead weight per 100 tons of freight.

271. On a review of all these considerations, it appears to us that in the interests of India it is as necessary as it is desirable that its railways should be worked as far as possible by company rather than by State agency, and we believe there will be no difficulty in evolving a scheme of company management in India which will meet the legitimate aspirations and claims of all sections of the community, will satisfy both political and industrial interests, will relieve the financial situation and will at the same time give an opportunity for the harmonious co-operation of both Indians and Europeans in the working of the great and vital industries of the country and thereby ensure the rapid development of the resources of India for the benefit of all. We do not think State management can be relied upon to secure the same results.

We recommend company management.

272. We now put forward two constructive schemes for this end. Taking the line that, as between Government and a new (Indian) East Indian Railway Company, there is no reason to complicate matters by taking into account the question of the direct obligations which at the end of 1924 Government will be under towards the late shareholders, annuitants and debenture holders of the existing English company, it is easy to suggest the outlines of a contract which should give the new company a reasonable return for its capital and remuneration for its services as managing agency.

Two schemes suggested.

273. If the East Indian Railway net earnings at the end of 1924 over a period of three years have averaged about Rs. 8 crores per annum, and if 6 per cent. be the then prevailing and estimated future value of money, then the capital value of the line will be about Rs. 134 crores, and this might be taken as a basis for negotiation. A new limited liability company might then be promoted with rupee capital, domiciled in India, with its headquarters at Calcutta the present headquarters of the system. The company would have a nominal capital of, say, Rs. x *plus* 50 crores, of which Rs. x would represent the Government share capital, the balance of 50 crores being the authorised new share capital, of which about 25 crores might be called up in the first few years.

274. Interest at 1 per cent. less than the prevailing rate from time to time for Government loans, on the paid up public share capital, should be a first charge against the net earnings. Government must guarantee this return in order to ensure public confidence and make the shares a trustee security, but in reality this rate of interest would unquestionably be met from the net earnings, and the guarantee would therefore be purely nominal. Interest at the same rate on the Government share capital (x) should next be charged, and the balance of net earnings should be regarded as surplus profits to be divided between the Government and the public shareholders in proportion to their respective holdings. The amount to be assumed for x must be determined on a reasonable basis.

275. Under the foregoing scheme the Government liabilities towards the old East Indian Railway Company are liabilities of the general revenues of India, and would be a matter for Government to deal with quite apart. But if preferred, an arrangement could be made which we call the second scheme, based on the booked capital outlay of the line, under which the interest on the outstanding liabilities would have to be specifically provided for as first charges against the earnings of the new company. In this case, the amount of such charges and liabilities and the amount to be taken as Government capital in the company, would need detailed investigation, but if capital outlay be taken as the Government holding in the new company, it would be equitable that Government should receive a fixed proportion, say one-third of the surplus profits, before division, in recognition of its ownership and guarantee.

276. It should be noted that under both the foregoing schemes, the actual terms and fixation of capital must be settled in the light of the financial conditions prevailing at the time the contract is made.

277. Whichever of the foregoing alternatives be chosen, the following general provisions would apply :—

General provisions.

(*a*) The company with the sanction of the majority of the shareholders, which in effect would mean Government, should have the power of raising further capital when required.

(*b*) The Government of India should have the right to acquire the shares subscribed by the public at a stated period, by giving six or twelve months' notice, and at such reasonable premium as may be agreed at the inception of the company.

(c) The Board should consist of 10 Directors: five to be elected by the outside shareholders and five to be nominated by Government. It is desirable that half the number of Directors should be Indians.

(d) Government should have the right to nominate a chairman from among the 10 members; the chairman should have a casting vote.

(e) The management should rest with the Board of Directors as is usual in commercial concerns, except so far as legislation intervenes and except in such matters as control of rates, allocation of capital and revenue expenditure and service to be rendered to the State.

(f) Should there be any disagreement between the nominated and the elected Directors which necessitates the exercise of the chairman's casting vote, the matter should be referred to the Government of India, if the minority so desire.

Experiment not irrevocable policy. Advantages. Public opinion.

278. Let us now consider the advantages of a scheme of this nature and the possible objections. The experiment of having an Indian domiciled company is certainly worthy of trial, while it would not form an irrevocable policy when existing contracts expire at later dates. As regards advantages, we consider that in the first place Indian public opinion will obtain full recognition without the bureaucratising of a commercial organisation. The Government of India, as now constituted under the Reform Scheme, will provide sufficient assurance that such opinion will not be disregarded; and the remedy against complaints such as unduly favourable treatment of foreign trade, if it exists in competition with internal trade, will lie with the Tribunal which the Committee have unanimously recommended should be set up. Moreover, the members of the Legislative Assembly will be able to keep themselves fully acquainted with the internal working of the railway through their countrymen on the Board of Directors.

Employment of Indians.

279. In the second place, we hold that the appointment of Indians to high administrative posts and the promotion of specially meritorious Indians from subordinate to higher grades will be better secured under this scheme than on State-managed railways. The proposal will afford to educated Indians the best possible opportunities and facilities for learning the management and control of large commercial and public undertakings, and give them an opportunity of becoming equally competent with trained Europeans in direction and management. This is one of the most important grounds which lead Indian opinion at present to desire State management; but we believe that by our proposal their object can be achieved in a more direct and definite way.

280. Whatever may have been the case in the past, India is now at the parting of the ways; and, simultaneously with political reform, reform in commercial and industrial development is essential. No country can prosper politically without industrial prosperity; and this cannot be secured merely by increasing the number of Government employees.

Appeal to Indian investors.

281. A third advantage is to be found in this new method of financing Indian railways. According to our reference it is a primary duty to suggest means of raising sufficient funds for the development of Indian railways. The difficulties in regard to finance of the Government in India and of companies in England have already been indicated; and on political grounds it is desirable to limit India's indebtedness to the non-resident investor. Now, the scheme which we suggest will, we are confident, achieve our object in finding a new market in India. By the Government guarantee of a fair rate of interest, such trust money as requires investment will be attracted; and there is a great probability, nay, almost a certainty, that a large amount of money from insurance companies, which have of late been rapidly growing in India, will become available. It will have the further advantage of tapping a new field of investors in India itself, to whom a guarantee with additions based on a share of the profits will naturally appeal; for there are many grades of possible investors in India ranging between the public trustee and the speculator.

282. The first loan of the new company will undoubtedly receive a great impetus from what may be described as patriotic motives—as was the case in connection with the issue of the loan for the Development Scheme in Bombay—and when the practice is established of investing in railways, it is likely to become permanent. Moreover, the amount required for the East Indian Railway will, we are informed, not be likely to exceed 4 crores a year for a reasonable period in the future; and we are confident

that with good security and the prospect of a satisfactory dividend, the amount will be forthcoming in India itself, if not entirely from Calcutta.

283. Turning now to possible objections, we find, in the first place, the allegation of a practical difficulty, that suitable directors, both European and Indians, for the boards of the trunk railways in India cannot be found at present. We do not agree as to the impossibility of finding such men. We have no doubt they can be readily found in the Presidency towns, and we desire to increase the opportunities for utilising the services of men who are suitable. The experience already gained in the large organisations of the Port Trusts and Improvement Trusts is not without value; and the traditional commercial communities of India already bring forward men with the requisite administrative skill, financial sense, and business acumen.

Suitable directors can be found

284. Another objection is that Government would incur great unpopularity by parting with any share in so remunerative a property. We do not admit that Government would under our scheme surrender any part of its proprietary interest. It will merely be converted into share capital, with the prospect of making that capital more remunerative than it could be under direct State management. The sharing with the investing public of a portion of the increased railway profits due to the additional capital subscribed by them cannot be considered an extravagance or a loss to Government, inasmuch as better and more economical management will be secured. Still another objection has been raised that such a company might in the future have to borrow by means of debentures at a rate slightly above the rate for Government loans. We grant this, but would reiterate that the difficulties of Government as regards the provision of funds must be recognised. If money must be obtained it is necessary to offer sufficient inducement. Furthermore, we hold that borrowing by a commercial concern of the highest standing will leave the credit of Government as regards Government loans unimpaired, for, as we have already said, Government will not have parted with any of its assets.

No surrender of Government's proprietary interest.

285. It may be argued by way of general criticism of our scheme that Government must in some way or another find the money for railway development, presumably by fresh borrowings or increased taxation, if it is asked to do so. But the facts should be faced: increased taxation has already been applied to meet the deficit of the present year (1921-22), and there is a heavy burden of floating debt. If, as it is hoped, Government may at some later period be in a position to raise larger sums than at present for the requirements of railways in India, there will be ample scope for utilising that money, first, in bringing State-managed railways to greater efficiency; secondly, in providing funds for the guaranteed company railways which will still remain under contracts; and, thirdly, in constructing the many new lines which are so urgently required. Moreover, past history cannot be ignored, the Government have regularly and continuously failed, and even refused to attempt, to raise the funds so badly required for the railways of the country.

286. In consideration of the advantages mentioned above, and after discounting the objections, we would advise that in view of the special present difficulties of finance a company constituted in accordance with our scheme is the best possible solution for the problem which lies before the Secretary of State in 1924 in connection with the East Indian Railway. It is impossible to foretell what may be the opinions on these matters 15 or 20 years hence, in India, Europe, or the world generally, and we hold that it would be unwise at the present juncture to commit the Government of India to a permanent policy of State operation. If this scheme in regard to the East Indian Railway proves successful in attracting the required capital in and from India, the Great Indian Peninsula Railway Company whose contract expires in 1925, six months after that of the East Indian Railway Company, might be converted on similar lines into a rupee capital company domiciled in India, with its headquarters at Bombay. It would appear from the evidence that the prospects of raising share capital in Bombay are even brighter than in Calcutta.

Management of E.I. Ry.

G I P. Ry.

287. The conversion of these two arterial railways into domiciled rupee capital companies and their operation through the agency of boards in India, consisting of Indians and Europeans, including Government Directors, will, we feel sure, give a great impetus to and create an interest in Indian investing circles. The question of the other guaranteed railways whose contracts have still many years to run, will have to be considered on their merits when these contracts become terminable. As for the State-managed railways, with the exception of the special case of the North-Western

Other cases to be dealt with on their merits.

Railway, if experience shows that the Indian domiciled East Indian and Great Indian Peninsula Companies can be successfully worked and that sufficient capital for their requirements is forthcoming, public opinion might largely support the extension of company management, and it might then be desirable to convert some of the existing State-managed railways into, or amalgamate them with, rupee capital companies. In this connection we agree with our colleagues as to the distinct advantage which would accrue from the amalgamation of the East Indian and Oudh and Rohilkhand Railways; there would be no difficulty whatever in effecting their combination under our proposal.

288. In the insistent need for larger new capital expenditure on Indian railways, no source of obtaining funds on reasonable terms should be left unexplored. We believe that Government will derive much financial assistance from the Indian domiciled companies when they come into being, but it is probable that further financial help will be needed to supplement State loans, and we have considered whether the London guaranteed companies could be utilised for finding at least a part of any additional money which may be required. We cannot recommend that the London guaranteed companies should now, at this late date, be allowed to increase their share capital, because we recognise that having regard to the demand for the transfer of the administration from London to India, a substantial increase in the share capital of those companies would make the transfer more difficult and possibly more expensive. We agree, however, in recommending that the services of the companies should continue to be utilised for raising debenture loans if the Government of India finds that such a course is convenient and economical.

Existing companies, debenture loans.

289. Further, we doubt very much whether the proposals we have put forward for financing the East Indian Railway in 1924 and possibly the Great Indian Peninsula Railway in 1925, will be of sufficient assistance to Government to enable it to provide the capital necessary for the early construction of any new lines of communication. Many of these have been under consideration for years past; they are urgently needed if the development of the country is not to be arrested. If further methods for financing such extensions are not devised, there is little or no prospect that India will make any material advance in the near future towards obtaining the 100,000 miles of railway considered necessary for the country by the Mackay Committee when they reported on the situation 14 years ago. We are of opinion, therefore, that if funds are not forthcoming, Government should have no hesitation in enlisting the help of private enterprise for financing, with rupee capital, some of the larger schemes for new lines which have already been delayed so long for want of funds.

Private enterprise, extensions.

290. We cannot conclude our separate section of the Report advocating Indian domiciled company management without referring to some of the arguments against the existing system of company management brought forward by those of our colleagues who are in favour of State operation. Passed unnoticed by us, it might be held that those arguments would apply to the system of company management which we advocate.

Replies to our colleagues.

291. Our colleagues maintain that the existing guaranteed company system "never has worked satisfactorily and cannot be made to do so," and further that it is "essentially unworkable." We would point out that though the system may be peculiar to India, and therefore novel to the majority of those opposed to us on the Committee, it has none the less stood the test of time with a great measure of success and has the undoubted advantage of retaining State ownership in combination with company management. We have explained fully in another part of this separate section why the present system has not been a complete success, due mainly to the financial difficulties which have hampered its working; but we maintain that in spite of those difficulties it cannot, as a system, be condemned, and so satisfied are we of its advantages from a long and intimate knowledge of its efficient working, that with certain material alterations we have deliberately recommended that it should be taken as a basis for the creation of the Indian domiciled companies.

Existing system.

292. In section 1 of this chapter (paras. 187 to 209 above) adopted by the whole Committee, some considerable emphasis has been laid on the statement that a shareholder in an Indian guaranteed company is not a railway shareholder, as the word is commonly understood, and that the debenture holder occupies an equally unusual position. On general grounds we think it is advisable here to refer to the position of the share and debenture holders from a different point of view. It is no secret, and so far as our knowledge goes never has been a secret, that all Indian guaranteed

railway undertakings worked under the company system are the property of the Secretary of State for India. Their several contracts show this clearly. Leaving aside the case of the East Indian Railway, which has features more or less peculiar to itself, the leading companies have entered into contracts with the Secretary of State which provide that in return for a definite proportion of capital subscribed by them they shall be entrusted (under control) with the working of their undertakings, shall be entitled to a minimum guaranteed percentage on their subscribed capital, and to share along with the Secretary of State in the net profits of the undertaking, in proportion to the amount of capital held by each respectively in the concern. Shareholders enjoy the further valuable privilege of having their subscribed capital refunded to them at par on the termination of their contracts. Their share capital is moreover a trustee stock, and Indian Guaranteed Railway Company shares may be regarded as among the safest railway investments on the market in that shareholders enjoy a security both as to principal and interest which is better than that pertaining to ordinary shares.

Security of existing shareholders.

293. For all financial and, indeed, practical purposes, the Secretary of State and the companies are partners in the undertakings, with rights and obligations clearly defined in the contracts. If there is confusion in the relative positions of the two, it is due to the position occupied by Government as Government and not as a partner. Similarly as regards the debentures, though they admittedly differ from the debentures issued by an ordinary company in that the debenture holder has no definite charge on the undertaking, they are secured on the revenues of India, and that security can only be prejudiced should India become bankrupt. Consequently they are recognised as gilt edged securities, and it is difficult to see in what respect the debenture holder in an Indian guaranteed railway company suffers any disadvantage.

Security of debenture holders.

294. A further criticism which our colleagues offer in connection with guaranteed companies is that a "company does not and cannot manage the undertaking; it "cannot, without the permission of Government, break new ground in any direction. "Neither does the Government manage; it only controls and restrains." One is constrained to ask, who then does manage? The signatories to this separate section have a close and intimate knowledge of Indian railway working, and we may perhaps be pardoned if we say that the quotations we have made bear no resemblance to the conditions which exist as we understand them. Companies do manage their railways. They employ an efficient and experienced staff, and the initiation of improvements of all kinds has usually originated with company-managed lines. We think those who criticise have done so from an imperfect knowledge of the services the companies' administrations have rendered in the past, and have not appreciated the disability they have for so long been labouring under for want of funds.

Management by existing companies.

295. One of the arguments used by our colleagues in favour of State management is embodied in the following sentence:—

> "We do not think in this fallible world company management can be so good as to escape fierce, often unfair, criticism from Indian opinion. Even if we were to assume that State management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public."

We regard it as our duty to recommend what we consider best for India, not to adopt the line of least resistance or to recommend a course to avoid unfair criticism. While it may be thought that the public would be lenient towards the shortcomings of State-worked railways, it will generally be admitted that when complaints are made against companies the weight of public opinion leads to reforms. The State is often not an attentive listener and is apt to consider itself perfect. That public opinion might judge State railways more leniently is no argument in favour of the general adoption of State management. What India requires is the best it can obtain, and we are confident it will not be satisfied with less.

Line of least resistance not necessarily best.

296. Our colleague's separate Report may be regarded by many as a wholesale condemnation of the system under which the guaranteed railways have been administered. We do not think that such condemnation will be accepted by anyone who has any detailed acquaintance with Indian railways. In the first place we consider that the system of company management, devised and adopted in the latter part of the last century, was an eminently suitable one, and it appears to us that the bargain which the State then made with the companies has proved to be favourable to the Government of India. In the second place, we hold that the English

Merits of existing system.

domiciled companies have rendered valuable service to the State in undertaking the construction of railways at a time when India was unable to undertake the responsibility and burden of the work, and in improving the general standard of efficient management and working. The policy again which, while making over the majority of the State-owned lines to companies to work, retained the working of a few in its own hands, had many distinct advantages which remain to this day. The emulation brought about by company and State management working side by side, has done a very great deal to raise the general standard of efficiency of railway working in India. In our opinion that standard would have been far different from what it is to-day had the management been in the hands of the State from the outset.

State management in India a reflex of company management.

297. It may be argued by those who compare the position of the company and State working as it is to-day, that little difference exists between them, that one is as good as the other, and that in initiative and flexibility and management generally the State-worked lines show results as good as the companies' lines. In this connection we should like to emphasise the fact that State management, as ordinarily understood, has not existed in India for many years past. State management in India has become a reflex merely of company management. Following on the quasi-independence of the companies, Government has deemed it advisable to endow the agents of the State-operated lines with powers similar to those granted to the agents of the several companies, with the result that the former have been free from that amount of petty control and interference from headquarters to which they would undoubtedly have been subjected had there been State working only in India.

298. We consider we have evolved a practical scheme of management through an Indian domiciled company which will prove to be in the interests both of India and of her people, and in putting it forward we desire to emphasise that company management of this kind has not yet been tried on railways in India, and that those who criticise company management for reasons chiefly directed against the boards in London cannot be regarded as opponents of a system which has not yet existed. When our scheme is introduced, we are confident that the public, European and Indian alike, will find many advantages in it, and will appreciate that the country is in a fair way to escape the dangers of railway nationalisation.

Note by Sir Henry Burt.

299. Sir Henry Burt desires to add the following to this part of the Report :—As pointed out by Mr. Kisch in the written statement which he prepared for the Committee, the liability which the State will have to incur on the termination of the existing contracts demands consideration. While I agree that it is desirable that the existing contracts should be terminated when they fall in, it is clear that circumstances may arise, as in the case of the Assam-Bengal Railway, which might throw an undue financial strain on Government if in every case the contracts were terminated on the exact date when they expire, especially in the case of those involving heavy cash disbursements. In my opinion the right must be reserved to Government to deal with each case on its merits, it being recognised that in certain eventualities it may be in the best interests of India that a contract should be extended for a short period.

Methods of raising additional Capital.

Need for money.

300. In conclusion we have to deal further with the very important subject of finance and bring together the recommendations thereon, some of which have already appeared in the foregoing paragraphs. No investigation or evidence was needed to emphasise the urgent necessity for money being provided from one source or another to bring the railways up to the standard of efficiency which the passenger traffic and trade of India demand.

Assistance of Indian domiciled companies.

301. Up to a point there is no disagreement in the Committee as regards the proposals and recommendations for raising additional capital embodied in paras. 240–247 of this chapter. We cannot, however, support the proposals in full, for the reason that we hold, apart from other important considerations, that Government will derive financial assistance of the greatest importance from the Indian domiciled companies whose formation we so strongly recommend.

302. There are undoubted advantages in making use of domiciled companies to find, from independent sources, the funds needed to meet the requirements of two such large administrations as the East Indian and Great Indian Peninsula Railways, estimated to amount to about Rs. 8 crores a year—by no means an insignificant

figure. Direct Government loans bearing a fixed rate of interest appeal to a certain section of investors, but apart from these, there are other, and we believe more important, classes of investors who are attracted by a lower rate of guaranteed interest coupled with the prospect of a share in the surplus profits of the railways; the shares in companies such as we recommend should be formed in 1924 and 1925 will offer attractive investments to such lenders.

Attractiveness of their shares.

303. But these Indian companies cannot come into being till 1924 and 1925, and for the intervening period the responsibility for providing the required funds for railway purposes must rest mainly with Government, and even subsequently to the formation of the Indian domiciled companies Government will still have to raise very large sums.

Intervening period.

304. The precise method for raising new capital cannot be definitely laid down in advance. Methods must change from time to time according to market conditions. Experts can best advise regarding these. But in general terms we recommend as far as money is raised by the Government that it be by direct Government loans, and we believe these would secure additional attractiveness by being advertised, whether in England or India, as required for railway purposes.

Form of Government loans.

305. We anticipate that, as long as income tax in England continues to be levied at the present high scale, money will be obtainable in India on more favourable terms than in the London market, and the Indian money market should be exploited to the fullest extent, though varying conditions, such as those of exchange, may make it expedient for the Government to use the London market for meeting payments on rolling-stock and machinery.

Use of London market.

306. We consider that the assistance of all banks in India should be enlisted when the Government comes into the market for railway loans, and that even independent offers from banks or groups of banks on special conditions, somewhat outside the ordinary Government terms, should not be lightly set aside.

Assistance of banks.

307. An important recommendation was made by the Mackay Committee in 1908, as follows :—

Mackay Committee.

> "We assume that the Secretary of State will, as far as possible, take advantage of periods of easy money to raise funds in excess of his immediate requirements, thus minimising the risk of having to reduce the expenditure at a time of stringency."

We endorse the views of that Committee on this point and strongly recommend that they be adopted.

308. As the total amount required annually is so large and believing that Government itself will not be able to raise in full the funds needed, we hold that no channel through which money can be obtained on reasonable terms should be neglected, and we do not desire to close the door to borrowing from any source thought suitable and economical. Government ought, if possible, to raise the necessary money by direct loans, even by paying a higher rate of interest than on loans for general administrative purposes, but if Government cannot adopt that course without interfering with or discrediting its financial policy, we recommend that full use be made of the existing companies for issuing debenture loans under guarantee.

No door to be closed.

309. Further, if private enterprise is available for financing new lines, whether in the nature of feeder lines or through routes, we recommend acceptance, rather than that the country should lose the new development. We do not wish that all development depending on new lines of railways should be at a standstill until existing railways are brought up to date, because the period cannot be short and many new lines are of urgent importance.

Financing new lines.

310. Our colleagues express the view that if the East Indian and the Great Indian Peninsula Railways were handed over for management to Indian domiciled companies on the lines we have recommended, it might be found that this would render Indian Government loans less attractive to the English investor. We have not suggested that any portion of the capital now held by the Government should be disposed of, and fail to see therefore how the security which the Indian Government will in the future have to offer, will in any way be lessened, or how its financial position can be prejudiced by the formation of the proposed companies.

English investors not discouraged.

CHAPTER VIII.

SUMMARY OF RECOMMENDATIONS, AND CONCLUSION.

A.—Unanimous Recommendations.

1. We propose great changes in the constitution, status and functions of the Railway Board. We recommend that at the head of the Railway Department there shall be a Member of Council in constant touch with railway affairs; and we suggest
Para. 97. that with this object there shall be created a new Department of Communications responsible for railways, ports and inland navigation, road transport (so far as the Central Government deals with this subject) and posts and telegraphs. We think the Member in charge of Communications must be an experienced administrator and able
Para. 104. to represent his Department both in the legislature and with the public. We do not think he need be expected to be a technical expert.

Paras. 125 *et seq.* 2. We recommend that, on the one hand, the reconstituted Railway Department should delegate considerably increased power of day-to-day management to the local railway administrations, and on the other hand should be relieved from control by the India Office and by the Government of India except on large questions of finance and general policy.

Paras. 74, 76 and 127. 3. We recommend that the Finance Department should cease to control the internal finance of the railways; that the railways should have a separate budget of their own, be responsible for earning and expending their own income, and for providing such net revenue as is required to meet the interest on the debt incurred or to be incurred by the Government for railway purposes; and that the railway budget should be presented to the Legislative Assembly, not by the Finance Member of Council, but by the Member in charge of Railways.

4. We recommend that, subject to independent audit by the Government of
Paras. 129—134. India, the Railway Department should employ its own accounting staff, and be responsible for its own accounts. We think that the present accounts and statistics should be thoroughly overhauled and remodelled with the assistance of experts familiar with recent practice in other countries.

5. We recommend that the title of Railway Board be replaced by the title Railway Commission; and that under the Member of Council for Communications there shall be a technical staff consisting on the railway side of a Chief Commis-
Para. 111 *et seq.* sioner and four Commissioners; that of the four, one should be in charge of finance and the organisation and staff of the office, and that the three other Commissioners should be in charge of three respective geographical divisions, western, eastern and southern. The Divisional Commissioners, while normally engaged at headquarters, should devote a substantial portion of their time to personal visits to their divisions.

Para. 111. 6. We recommend that the technical staff attached to the Commission shall be strengthened, especially on the traffic side. We think the staff should be divided into six sections, each under a Director, one of whom should be responsible, under the Commissioners, for Ports and Inland Navigation and Road Transport.

Para. 124. 7. The changes and additions to the headquarters establishment which we have proposed may cost from 25,000*l.* to 30,000*l.* per annum. But we recommend this expenditure in the interest of true economy. And we point out that salaries in the highest posts of the Indian railway services are at present inadequate, and that, in consequence, not only does the service fail to attract the right men, but it is actually losing to other employment those already in it.

Para. 123. 8. We think that the present number of Circles, each with an Engineering Inspector, is unnecessarily great; and we recommend that the number of Engineering Inspectors be reduced, and the money utilised for the appointment of new officers called Inspectors of Traffic.

Paras. 137 and 138. 9. We discuss the rights of management reserved to the guaranteed companies under their contracts, and we recommend that the new Member for Communications should, by agreement, where necessary, with the companies, modify the present

position: on the one hand giving to the Railway Commission greater powers in reference to matters such as initiation and enforcement of reforms and some control over the appointment and retention of principal officers, and on the other hand, giving to the local executive officers greater freedom from interference in matters of everyday management.

10. We suggest that there should be a less rigid regard than hitherto to the claims of seniority. Para. 135.

11. We lay stress on the importance of giving to the Indian public an adequate voice in the management of their railways. And accordingly we recommend the establishment of Central and Local Railway Advisory Councils. We propose that the Central Advisory Council, under the chairmanship of the Minister of Communications, should consist of not more than 25 members, of whom three or four would represent the Departments of Government specially concerned; eight or nine should be nominated, according to a scheme to be arranged, by the various associations representing trade and industry; and a similar number, to represent agricultural interests and the travelling public, should be added by the nomination of one member by each of the Provincial Legislative Councils. Paras. 139 *et seq.*

12. We recommend the establishment of Local Advisory Councils, similar in constitution to the Central Council and perhaps of half the size, either at the headquarters of each railway, in which case the agent would act as chairman; or alternatively, at each important railway centre, in which case the agents of all the railways concerned should be members, and one of them chairman. Para. 142.

13. We recommend that these councils be established as soon as possible, without waiting for the full introduction of the scheme which we put forward. Para. 142.

14. We recommend the establishment of a Rates Tribunal, consisting of an experienced lawyer as chairman, and two members representing respectively railway and commercial interests; and that there be given to them jurisdiction over all questions of the reasonableness of rates and of facilities; that they be instructed to investigate the conditions attached to "owners'" and "railway's" risk notes at the present time, and to frame new standard forms for use in future; and that there be, under certain circumstances, an appeal from the decisions of the Rates Tribunal to the Governor-General in Council. Para. 156 *et seq.* Para. 161.

15. We recommend that steps should be taken to reduce the delay in settling claims for loss and damage, and that the utmost possible efforts should be devoted, not only by the local officials, but by the Railway Commission itself, to stamping out the very serious and widespread abuses in connection with allocation of railway wagons. Para. 163. Para. 164.

16. We discuss the hardships to which third-class passengers are subjected, especially on the occasion of the great "melas" or pilgrimages; and we recommend various measures which, pending the radical improvement of the situation by the provision of adequate facilities, may do something to mitigate present conditions. Paras. 167 *et seq.*

17. We recommend that there be a reasonable general increase in Indian rates and fares, and that the sur-taxes at present levied on railway traffic be withdrawn. Paras. 72, 73.

18. We recommend that greater facilities should be provided for training Indians for the superior posts in railway service; and that the process of their employment in such posts should be accelerated. Paras. 182-184.

19. We recommend that branch lines shall as far as possible be constructed and worked by the main lines to which they are tributary; and that only if the State is unable or unwilling to provide the funds itself shall the formation of separate branch line companies be encouraged. Paras. 177-180.

20. We recommend that, so soon as financial conditions make it possible for the Government to go forward again with railway development, the Indian States should be called into council, and invited to take part in working out a common plan in the common interest. Para. 176.

21. We recommend an enquiry into the question of inland waterway communication as affected by alleged unfair railway competition. Para. 155.

Para. 181. 22. We recommend a thorough investigation, by a Commission of the most competent experts whom the railway world can furnish, of the gauge question as it affects and is affected by the potential future development of the Indian system as a whole.[1]

Para. 207. 23. We recommend that the system of management by companies of English domicile should not be continued after the termination of their existing contracts,
Para. 203. and that these companies should not be permitted further to increase their share capital.

Para. 186. 24. We recommend that no steps should be taken towards establishing combined companies, both with English and with Indian domicile.

B.—Divergent and Supplementary Recommendations.

	By the Chairman; the Hon. Mr. V. S. S. Sastri; Mr. E. H. Hiley; Mr. Purshotamdas Thakurdas; and Mr. J. Tuke.	By Sir H. P. Burt; Sir R. N. Mookerjee; Sir A. R. Anderson; Sir G. C. Godfrey; and Sir H. Ledgard.	
Para. 227. Para. 224.	25. We recommend that the undertakings of the guaranteed companies, as and when the contracts fall in, be entrusted to the direct management of the State, and that when the contract with the East Indian Railway terminates in 1924 the Oudh and Rohilkhand State Railway be absorbed into that undertaking.	25A. We recommend that the system of both State and company management should be continued, and that Government should not be committed to a policy of State management only for all railways. We accordingly propose a scheme for creating Indian domiciled companies to manage the East Indian and, possibly, the Great Indian Peninsula Railways. The cases of other lines to be considered on their merits when the contracts become terminable.	Paras. 271 and 278. Para. 272. Para. 286 Para. 287
Para. 240. Para. 241.	26. We recommend that the whole of the capital for the future development of the Indian railways be raised directly by the State. We do not recommend that the provincial Governments should take any part in the work.	26A. We agree that much capital must be raised direct by the State, and that this should be done by the Central Government. We also recommend, from 1924 onwards, that the fullest use be made of Indian domiciled companies, as proposed under our scheme, as a means of providing funds from independent sources. We also hold that as the total amount required is so large, no channel through which money can be obtained on reasonable terms should be neglected; for instance, further debenture loans through existing companies might be negotiated.	Para. 300 Paras. 301 and 302. Para. 308.
Paras. 244 and 245.	27. We recommend that the money required to put the existing railways into proper shape should be raised, even at to-day's prices, as fast as it can be economically spent, but we do not recommend the immediate raising of capital for the extension of the existing system.	27A. We agree that money should be raised as fast as it can be economically spent. Rather than that new development should be arrested, we recommend that the assistance of private enterprise should be enlisted to provide capital for new lines.	Para. 300. Para 309.
Para. 243.	28. We recommend that Government issues for railway purposes should in England take the form of ordinary sterling loans, while in India rupee loans might perhaps be earmarked as for railway purposes.	28A. We recommend that Government borrowings for State and guaranteed railways should be by direct Government loans advertised, whether in England or India, as being for railway purposes.	Para. 304.
Para. 245.	29. We support the recommendation of the Mackay Committee that in periods of easy money funds should be raised in excess of immediate requirements so that it may not be necessary to have recourse to the market at a time of stringency.	29A. We agree in supporting this recommendation of the Mackay Committee.	Para. 307.

[1] *See* footnote on page 58.

Paras. 246 and 247.

30. We recommend the establishment of a systematic organisation to familiarise the population of India with the idea of subscribing to Government loans, and specially to reach through local Indian agencies the mass of the people to whom the idea of investment has hitherto been strange.

30A. We recommend that the assistance of all banks in India should be enlisted when money is required to be raised, and that independent offers of loans on special conditions should not be lightly set aside. Para. 306.

C.—Conclusion.

We desire to express our sense of our exceptional indebtedness to our Secretary, Mr. T. Ryan. Not only has he performed all the ordinary duties of a Secretary with the utmost efficiency, but during the sittings in India he also bore, owing to our inability to obtain a verbatim report of the proceedings, the heavy burden of preparing each day for our use an accurate précis of the oral evidence received. Further, during the whole course of our proceedings he placed at our disposal the resources of his exceptional memory in reference to the subjects that came before us.

To Mr. E. R. Pole, who came to India as personal Secretary to the Chairman, and was almost immediately appointed Assistant Secretary to the Committee, we also owe our hearty thanks. No task was too heavy for him, and he was always ready to work unsparingly to obtain any information that any member of the Committee desired to obtain.

W. M. ACWORTH (*Chairman*).
H. P. BURT.[1]
R. N. MOOKERJEE.
A. R. ANDERSON.
G. C. GODFREY.
V. S. SRINIVASA SASTRI.
E. H. HILEY.
H. LEDGARD.
PURSHOTAMDAS THAKURDAS.
JAMES TUKE.

T. RYAN (*Secretary*).

LONDON,
22nd August 1921.

[1] Subject to the reservations printed on page 90.

Reservations by Sir H. P. Burt.

I cannot subscribe to the recommendation, in para. 181 of the Report, that "a thorough investigation of the gauge problem is urgent at this moment," and should be undertaken by a special Commission. No one will deny that it would have been better for India had it been possible to avoid a break of gauge, and that it was unfortunate that such a broad gauge as the 5 ft. 6 ins. was originally decided upon as the standard, especially as full advantage has not been taken of that gauge in determining the running dimensions of the rolling-stock. But, at the same time, it will be accepted by those who have studied this question that, having adopted the 5 ft. 6 ins. standard gauge, India would never have had at the present day even the relatively small total mileage she now has if that gauge had been insisted on so as to secure uniformity. With the growth in mileage of the standard gauge, the adoption of a smaller and less costly gauge became imperative if the poorer districts of India and the development of India's resources were not to suffer from the want of railway communications. It was financially impossible to do otherwise. Thus the mileage of the two principal gauges has grown until we now have practically 18,000 miles of the 5 ft. 6 ins. and over 15,000 of the metre gauge.

2. There is no alternative now but to deal with the question from a practical standpoint, recognising existing facts and possibilities. The battle of the gauges has been fought out more than once in the past; it is no longer a matter for academic discussion. No reader of our Report can fail to appreciate that the crying need of the moment, and the insistent demand of the future, is and must be, not that the whole structure of the railway system should further be reviewed, or that its equipment should be adjusted to conform to new standards, but that the railways which exist should be brought up to a high standard of efficiency with the least possible delay. Even with the utmost economy this will tax all the resources of Government and all the financial assistance which can be enlisted.

3. To divert attention at this stage, from the position as I conceive it to be, by an enquiry whose results either must be purely negative or else must set up a competing demand for expenditure on a vast scale, yet of manifestly less pressing urgency, would in my judgment be particularly unfortunate. The only effect of instituting such an enquiry would be to furnish a fresh reason for postponing expenditure which should be undertaken without delay to meet the requirements on which we have laid so much stress.

4. Even if new construction be not entirely suspended for several years to come, it cannot, at best, be undertaken on any large scale, and in respect of such new projects as may come under consideration, it must now, I consider, suffice to deal with the gauge problem as merely incidental to, and with regard to the immediate necessities of the particular case. The future policy in regard to the gauge problem so far as it affects new projects and conversion where necessary from time to time may well be left to the Railway Authorities in India to settle.

5. I would add that in my opinion the inconveniences of break of gauge in India are often exaggerated. The Presidency towns and ports of Calcutta, Bombay and Madras, and the port of Karachi, are all connected with each other and with Delhi on the same, the standard, gauge, all the strategic lines north of Delhi being on the same gauge; while the complaint in respect of transhipment between the broad and metre gauges is due rather to lack of rolling-stock than to an objection to transhipment in itself. On these points no evidence whatever has been taken by the Committee. The inconveniences of transhipment could, of course, be removed, but only at an immense cost which, in my view, would be prohibitive unless all improvement and development of railways were arrested for years.

While I have agreed in the recommendations made in Chapter IV. of the Report, regarding the reorganisation of the Railway Department of the Government of India, and while I think they will meet the requirements of the present position, I must record my opinion that the staff proposed for the organisation of the Railway Commission will be inadequate to cope with the work which will be thrown upon it, if State management is generally adopted.

H. P. BURT.

APPENDIX No. 1.

Statement of Traffic Restrictions in force on 1st April 1921.

ASSAM-BENGAL RAILWAY.

Restricted Section.	Traffic affected.	Remarks.
Via Silghat Town - - -	All goods traffic.	Owing to Ghat difficulties.
From Ditock Cherra to Hatikhali (both inclusive) to any station.	Cattle.	Without permission from the Sub-Divisional Officer, North Cachar Hills, Haflong.
Via Gauhati Ghat in through booking with the steamer companies.	Motor-cars and packages over 10 maunds in weight.	Owing to Ghat difficulties.

BURMA RAILWAYS.

The restrictions in force are those usual during the annual busy paddy season, viz., that the number of stone trains for the public is reduced by about half, as the wagons are required to carry grain. For the same reason our railway ballast trains are considerably reduced in number. There is, of course, a great shortage of stock and consequent difficulty in meeting the demands for wagons

EAST INDIAN RAILWAY (GOODS TRAFFIC).

Restrictions in booking of goods traffic in force on 1st April 1921.

From	To	Date restriction imposed.	Nature of restriction.
All foreign railways.	All stations on E.I. Ry. and *via*.	21 Mar. 1918	Small consignments of tranship or road van goods, except Government and military traffic. One consignment not more than six maunds from same sender to any one station may be accepted on any one day. Smalls up to a limit of 30 maunds may be accepted from Dehri-Rohtas Light Railway at Dehri-on-Sone for transhipment for each van goods train. "Smalls" may be accepted freely from O. & R. Ry. stations, except to and from restricted areas.
All stations on E.I. Ry. and *via* and foreign railways.	To Khagaria and Gogria out-agencies *via* Monghyr and to stations on B. & N.W. Ry. *via* Monghyr Ghat.	3 May 1920	Restriction applies to piece-goods in bales weighing over four maunds *via* Monghyr and Monghyr Ghat.
Budge Budge and Howrah.	To and *via* Mokameh Ghat.	21 Mar. 1921	Restriction applies to kerosene oil only.
All stations on E.I. Ry. and *via*.	To stations on B. & N.W. Ry. *via* Mokameh Ghat.	24 Mar. 1921	All goods traffic.
All stations on E.I. Ry. and *via*.	To stations on O. & R. Ry. *via* Moghal Serai.	29 Mar. 1921	All goods traffic *via* Moghal Serai.
All stations on E.I. Ry. and *via*.	To Bally Jute Mills.	31 Mar. 1921	Restriction applies to jute only.
All stations on E.I. Ry. and *via*.	To Bakudih.	1 April 1921	All goods traffic in full wagon loads.

EAST INDIAN RAILWAY (COACHING TRAFFIC).

From	To	Date restriction imposed.	Nature of Restriction.
1. All stations and *via* on E.I. Ry.	To all stations and *via* on E.I. Ry.	13 Jan. 1918	Restriction applies to :— (*a*) Gunnies, hides, skins, chillies, including green chillies, spices, ghee, oil, potatoes, pepper, tobacco, jaggree and sugar, empty kerosene oil tins, brass, machinery and any other articles ordinarily carried by goods train, irrespective of weight, except tea and cases of cigarettes, tobacco and leather manufactured. (*b*) Individual packages exceeding 2½ maunds in weight by passenger train except from city booking offices, where the limit of 1 maund per package applies. Packages of piece-goods may, however, be accepted for despatch by passenger train, subject to a limit of 5 maunds per package except to B.B. & C.I. Ry. and *via*, in which case the limit of of 1 maund per package for all goods will apply. These restrictions do not apply to— In case of (*a*) and (*b*)— Military or urgent Government consignments. In case of public goods (*a*)— (i) Cured hides and skins as trophies. In case of (*b*)— (i) Passengers' luggage ; (ii) Packages containing ice, fresh fish, fresh vegetables, fresh fruits, milk, cream, butter, and other perishables usually carried by passenger trains. Motor bicycles and side cars may be despatched irrespective of weight.

EASTERN BENGAL RAILWAY.

Restriction in force from	Period of Restriction.	Restricted Station or Section.	Traffic affected.	Reason of Restriction.	Date of removal of Restriction.	Remarks.
			Coaching.			
7 July 1919	Until further notice.	*Via* Jagannathganj Ghat.	Live stock, motor-cars and carriages.	Ghat difficulties -	Still in force	
5 Sept. 1916	Do.	To and from Faridpur Station on the E.B. Ry.	Live stock, horses, carriages and motor-cars.	Owing to the permanent station having to be abandoned on account of floods.	Do.	
			Goods.			
4 Nov. 1913	Do.	To Sealdah (Calcutta) Station on the E.B. Ry.	Jute traffic.	This restriction was originally imposed on account of reduction of shed accommodation by fire. It is not proposed to remove the restriction as it is undesirable to deal with jute at Sealdah, the proper Calcutta terminal stations for that commodity being at Chitpore, Cossipore Rd., Ruthtollah, Saheb Bazar Ultadanga, &c.	Do.	Jute may, however, be booked to Sealdah for Soorah Jute Mills for direct line delivery, also to Beliaghatta Jute Mills.

Restriction in force from	Period of Restriction.	Restricted Station or Section.	Traffic affected.	Reason of Restriction.	Date of removal of Restriction.	Remarks.
20 May 1919	Until further notice.	From Pattipukur Station.	Piece-goods	This is one of the Calcutta stations. All piece-goods traffic is dealt with at Sealdah (Calcutta), where proper facilities for the traffic have been provided.	Still in force.	
8 March 1921	Do.	To Kanchrapara and Halishahar Station.	All descriptions of goods traffic for the Loco. Department of E.B. Ry.	Due to Loco. Workshop staff being on strike.	Do.	

BENGAL-NAGPUR RAILWAY.

No specific restrictions on 1st April 1921. Generally speaking, however, the capacity of the Bengal-Nagpur Railway to deal with traffic offering both as regards rolling stock and other facilities, is inadequate, and detailed information on these points has been furnished to the Railway Committee.

SOUTH INDIAN RAILWAY (GOODS TRAFFIC).

Junction or *via* Junction.	Description of Traffic.	Nature of Restriction.	Date imposed.
	Foreign Traffic.		
Via Arkonam for stations south of Villupuram.	All descriptions of traffic except loco. coal and railway materials.	100 tons a day -	1 Mar. '21
Via Katpadi for stations south of Villupuram.	Do. do. -	50 tons of tranship traffic, and 18[1] metre-gauge loads a day.	1 Mar. '21
Via Jalarpet and Erode to metre-gauge.	Do. do. -	15 broad-gauge loads a day.	1 Mar. '21
Via Mettupalaiyam -	All goods traffic *via* Jalarpet, for stations on the Nilgiri Railway.	20 loads a day -	7 Dec. '19 and 21 Jan. '21
Via Shoranur - -	All goods traffic *via* Jalarpet to metre-gauge *via* Shoranur.	30 loads a day -	21 May '20 and 21 Jan. '21
Via Katpadi, Arkonam, and Jalarpet.	Empty oil tins to and from all out-agencies except certificated traffic, packed in proper crates.	Total stoppage -	15 Dec. '18
	Local.		
From S.I. Ry. metre gauge *via* Arkonam and Katpadi, to S.I. Ry. metre gauge *via* Jalarpet and Erode.	All descriptions of traffic except loco coal and railway materials.	Total stoppage (restriction imposed by M.S.M. Ry.).	2 Mar. '21
From S.I. Ry. broad gauge to S.I. Ry. metre gauge *via* Erode.	All descriptions of traffic - -	40 wagons a day -	25 Mar. '21
From S.I. Ry. broad gauge *via* Jalarpet, Arkonam, and Katpadi, to S.I. Ry. metre gauge.	Do. do. - -	Total stoppage for stations south of Villupuram.	1 Mar. '21
From stations on the Madras District to stations south of Trichy Junction.	Do. do. - -	50 wagons a day -	26 Feb. '21
From stations on the Madura District.	All descriptions of traffic except towards Trichy Junction and Erode.	Total stoppage -	22 Mar. '21

[1] Now increased to 38 temporarily.

GREAT INDIAN PENINSULA RAILWAY.

Restriction on through Traffic.

From	*Via*	Nature of Daily Restrictions.	Remarks.
		Wagons.	
E.I. Ry.	Jubbulpore	300	Limited to about 20 per cent. short of the capacity and available engine power on the section, the balance being reserved for military and local traffic.
	Katni	50	
	Manikpur	50	
	Cawnpore	80	
	Jumna Bridge	30	
	Delhi	50	
B.N. Ry.	Katni Murwara	80	
N.G.S. Ry.	Wadi	70	
M. & S.M. Ry.	Raichur	60	
		Tons.	
B.N. Ry.	Jubbulpore	100	Limited in keeping with restrictions imposed on broad gauge railways.
N.G.S. Ry.	Manmad	600	
B.B. & C.I. Ry.	Cawnpore	50	
	Muttra	100	
	Idgah	150	
	Delhi Sadr	100	
G.L. Ry.	Gwalior	200	
D.B. Ry.	Dholpur	200	

Restrictions on Local Traffic.

The loading of wagons in the direction of Bombay is restricted to non-pooled wagons, such as wooden wagons and bogies which are not suitable for interchange purposes with foreign railways.

All suitable wagons are pressed into the coal service and are being pushed down to the colliery districts situated both on this and foreign railways.

BOMBAY, BARODA, AND CENTRAL INDIA RAILWAY (BROAD GAUGE).

Railway.	Junction.	Limit in Wagons.	Nature of Restrictions.	Cause of Restriction.
		Through.		
1. From E.I. Ry.	To B.B. & C.I. Ry. *via* Agra East Bank.	100	For transhipment to metre-gauge and connected railways.	For want of greater transhipment facilities at Agra East Bank.
2. From G.I.P. Ry.	Ditto *via* Amalner	80	- - -	Insufficient loco. power.
3. From Guzerat railways, narrow gauge.	*Via* Champaner	14 broad-gauge.	Exception :—timber, rafters, *via* Sabarmati and Viramgam.	For want of better transhipment arrangements and shortage of stock.
	Via Godhra	3		
	Via Nadiad	3		
4. From B.B. & C.I. Ry. metre-gauge section.	Ditto. broad gauge section.			
	Via Muttra	20	—	—
	Via Bharatpur	30	—	—
	Via Rutlam	40	All traffic livestock in addition.	For want of better transhipment arrangements and shortage of stock. Also loco. power.
	Via Sabarmati	120		
	Via Viramgan	6	Only stone traffic limited to 2 wagons from each Morvi, Dhrangadhra and Gondal Porbunder Railways.	

Local.

Nature of Restriction.	Cause of Restriction.
From any station on B.B. & C.I. Ry. :—	
5. To Dadar (Bombay) :—	
(1) Bulsar District, 2 wagons daily Ahmedabad District, 1 wagon daily Rutlam District, Kotah District, 2 wagons weekly each Baroda District, 2 narrow-gauge wagons daily	Insufficient accommodation at Dadar, and paucity of wagons.
Ditto (2) To Mahalakshmi (Bombay), grass limited to 65 wagons daily.	Insufficient stock and engine power.
Ditto (3) To Grant Road (Bombay) : (a) Livestock and perishables, to be booked freely (b) Firewood, 25 wagons daily (c) Coal, 5 wagons daily	Inadequate accommodation at Grant Road, and paucity of wagons.
6. To Viramgam Local Station. Firewood limited to 10 wagons as under :— *Bulsar District, 2 wagons daily *Ahmedabad District, 1 wagon daily *Rutlam District, 5 wagons daily *Baroda District, 2 narrow-gauge wagons daily	Inadequate accommodation for unloading, paucity of stock and shortage of engine-power.
7. To Ahmedabad Local Station. Articles requiring crane limited to 8 wagons per day from Bombay	Inadequate facilities to unload.
8. (1) Traffic from Bombay Depôt (Carnac Bridge) to any station is restricted to 120 wagons daily	Inadequate accommodation for loading, but chiefly due to paucity of wagons and engine-power.
(2) Traffic from Bombay Port Trust Railway to any station is restricted to 80 wagons daily	Paucity of wagons and engine-power.

9. (1) Traffic requiring crane from the broad-gauge section of Bombay, Baroda and Central India Railway to any stations on the metre-gauge section *via* Sabarmati is limited as under :—

Bombay Port Trust Railway, 1 bogie or 2 four-wheelers daily Carnac Bridge, 2 wagons daily *Grant Road District, 1 wagon permitted occasionally *Bulsar District, 2 wagons daily *Baroda District, 2 narrow-gauge wagons *Rutlam District, 1 wagon	Inadequate transhipment (crane arrangements).

(2) Traffic in timber from the broad-gauge section of the Bombay, Baroda and Central India Railway to any station on the metre-gauge section *via* Viramgam is limited as under :—

*Bulsar District, 2 wagons daily *Ahmedabad District, 1 wagon daily *Rutlam District, 1 wagon daily *Baroda District, 2 narrow-gauge wagons daily	Insufficient stock engine-power on broad-gauge and transhipment falilities at Sabarmati and Viramgam.

Exception.—Timber, 25 ft. in length, not included in the above. It is restricted as under :—

Via Sabarmati.	*Via* Viramgam.
*Bulsar District, 2 wagons daily Carnac Bridge, 1 wagon daily.	Carnac Bridge, 2 wagons rails daily. *Rutlam District, 1 wagon timber rafters, &c.

10. In addition to these restrictions, traffic has generally to be restricted for the following reasons :—
   (1) Lack of junction facilities.
   (2) Inadequate supply of wagons.
   (3) Shortage of loco power.

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* There are six districts on the broad-gauge section of this railway, and they extend as under .—

Grant Road District.—Stations Colaba to Virar inclusive.
Bulsar District.—Stations Saphala to Surat inclusive, and Tapti Valley and Bilimora Kalaamba Railways.
Ahmedabad District.—Stations Utran to Kharaghoda, Anand-Cambay, Debland-Vaso and Anand-Godhra Branches.
Rutlam District.—Pilol to Shamgarh and Ujjain Branch.
Kotah District.—Garoth to Delhi and Agra-Bayana Branch.
Baroda District.—Gaekwar's Dabhoi, Rajpipla State, Kosamba-Zankhvav and Broach Jambusar Railways.

BOMBAY, BARODA AND CENTRAL INDIA RAILWAY (METRE GAUGE).

The severe restrictions on the metre-gauge are due to shortage of coal supply.

Local booking.—Restricted to items 1 to 8 of Priority List in Monthly Gazette. All traffic may be booked in direction empties are running.

From North-Western Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Bhatinda, 10 broad-gauge wagons daily. *Via* Hissar, 5 broad-gauge wagons daily. For Bombay, Baroda and Central India Railway *via* Delhi Serai Rohilla, 10 broad-gauge wagons daily excluding railway and public coal and salt.
From East Indian Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Delhi Serai Rohilli, 10 broad-gauge wagons daily from East Indian Railway. 10 broad-gauge wagons daily from Oudh and Rohilkhand Railway. *Via* Agra East Bank, 10 broad-gauge wagons daily. *Via* Hathras Junction, 10 broad-gauge wagons daily. *Via* Cawnpore, 5 broad-gauge wagons daily, excluding railway and public coal and salt.
From Oudh and Rohilkhand Railway, to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Delhi Serai Rohilla, 10 broad-gauge wagons daily.
From Great Indian Peninsula Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	*Via* Muttra Junction, 50 tons daily. *Via* Idgah Agra, 50 tons daily. *Via* Khandwa, 100 tons daily. *Via* Ujjain, 100 tons daily. *Via* Delhi Sadr, 50 tons daily, excluding railway and public coal and salt.
From Bombay, Baroda and Central India Railway broad-gauge to metre-gauge section of Bombay, Baroda and Central India Railway.	Goods booking restricted to items 1 to 7 of the Priority List in Monthly Gazette and total number of wagons *via* each junction restricted to 20 wagons daily.
From Rohilkund and Kumaon Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Restricted to 35 wagons daily, exclusive of railway coal and salt.
From Bengal and North-Western Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Do. do.
From Jodhpur Bikaner Railway to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Restricted to 20 wagons daily *via* each junction excluding railway and public coal and salt.
From Kathiawar Railways to and *via* metre-gauge section of Bombay, Baroda and Central India Railway.	Restricted to 20 wagons daily from each Morvi and Bhavnagar State Railways, including through traffic, exclusive of railway coal and salt.

JODHPUR BIKANER RAILWAY.

Via Kuchaman Road, owing to shortage of coal, traffic is restricted to 100 wagons daily, excluding Jodhpur Bikaner Railway consignments. When the coal situation is improved up to 200 wagons daily can be accepted.

NORTH-WESTERN RAILWAY.

As regards coaching traffic, it would be necessary to run four additional mail and 55 additional passenger trains fully to meet the traffic offering. The restricted service is due chiefly to a shortage of rolling-stock.

As regards goods traffic the following restrictions are in force :—

Restrictions on Export from North-West Frontier Province imposed at the request of Director of Civil Supplies, North-West Frontier Province.

1. Booking of wheat, wheat-flour, barley, maize, gram and sugar (other than gur and shakkar), rice and ghee, from any station situated in the North-West Frontier Province, except when covered by priority certificates issued or countersigned by the Director of Civil Supplies, Peshawar, is stopped. This restriction does not apply to consignments booked as military stores or purchases on Foodstuffs Commissioner or Deputy Foodstuffs Commissioner's account or movements on Controller of Contract's certificate.

Restrictions on Exports from Baluchistan imposed at the request of the Director of Civil Supplies, Baluchistan.

2. Booking of wheat, atta, jawari, ghee and other edibles, as well as all other goods traffic, from one station to another station within the Baluchistan Agency, with the exception of goods from north of Quetta to Quetta itself, will only be allowed under permits to be issued by the Director of Civil Supplies in Baluchistan.

(*a*) Booking of livestock from Sibi, Mushkaf and Nari Bank will only be allowed on permits issued by the Director of Civil Supplies.

(b) Booking of Bhoosa, foodgrains, edibles, including potatoes and ghee and livestock (excluding horses) from any station in Baluchistan to any station outside that province is stopped.

Restrictions in items 2, 2 (a), and 2 (b) do not apply to—

(1) Goods booked on military account.
(2) Purchases on Foodstuff's Commissioner or Deputy Foodstuff's Commissioner's account.
(3) Consignments covered by priority certificates issued by the Director of Civil Supplies, Baluchistan.
(4) Wool.
(5) Fresh or dry fruits.

Imports of Civil Goods into Baluchistan controlled by the Director of Civil Supplies in Baluchistan

3. Booking of civil goods traffic, except foodgrains and flour, from any station outside Baluchistan to any station inside Baluchistan is controlled by the Director of Civil Supplies, Baluchistan, under whose certificate goods can be imported into that province.

Control on Booking of Kerosine Oil

4. Despatch of kerosine oil from Karachi Port is restricted by Civil Authorities to the following four firms :—

(1) The Burma Oil Company.
(2) The Standard Oil Company.
(3) The Asiatic Petroleum Company, and
(4) Rai Sahib Chelaram, Dullaram, and their accredited agents.

Civil Traffic to the Kalabagh-Bannu and Kohat-Thal Railways

5. The Kalabagh-Bannu Railway, including Laki Pezu Tank section and Kohat-Thal Railway, are at present used exclusively for the military forces kept in the North-West Frontier Province. Traffic other than military to these areas is controlled by the Director of Civil Supplies, North-West Frontier Province, Peshawar.

Control of Civil Traffic to Rawalpindi District by North-Western Railway.

6. Goods traffic for Rawalpindi district beyond Jhelum *via* Lalamusa and Rawalpindi section is controlled by the railway so as to keep it within the quantity that can be carried over that section of the line. (The limit is 165 goods vehicles daily.)

APPENDIX No. 2.

Statement showing Numbers of Indian and other Officers on Indian Railways.

——	B.B. and C.I.	S.I.	N.G.S.	A.B.	Burma	M. and S.M	E.I.	R. and K.	B. and N.W.	B.N.	G.I.P.	State Managed	Total.
AGENCY.													
Indians :—													
District officers	—	—	—	—	—	1	—	—	—	—	—	—	1
Assistants	—	1	—	—	—	—	1	—	—	1	—	—	3
Others	5	2	2	3	3	4	6	1	2	5	7	13	53
ENGINEERS.													
Indians :—													
District officers	—	—	—	—	—	—	—	—	—	—	3	12	15
Assistants	7	1	5	3	—	2	12	—	—	7	—	23	60
Others	47	28	18	21	35	41	50	7	16	43	72	149	527
LOCO. AND C. AND W.													
Indians :—													
District officers	—	—	1	—	—	—	—	—	—	—	—	—	1
Assistants	—	—	—	—	—	—	2	—	—	—	—	1	3
Others	32	14	5	8	20	19	40	3	10	32	49	82	314
ELECTRICAL, BRIDGE, AND SIGNAL ENGINEERS.													
Indians —Assistants	1	—	—	—	—	—	—	—	—	—	—	—	1
Others	8	—	—	—	—	7	5	—	—	—	—	17	37
STORES AND PRINTING.													
Indians.—Assistants	—	—	—	—	—	—	—	—	—	1	—	2	3
Others	7	4	2	1	3	6	7	—	1	5	7	25	68
TRAFFIC.													
Indians —													
District officers	—	—	—	—	—	1	—	—	—	—	—	1	2
Assistants	2	2	1	1	2	3	11	—	1	5	3	29	60
Others	43	21	16	12	28	29	53	3	12	46	46	94	403
AUDIT.													
Indians —													
District officer	—	—	—	—	—	—	—	—	—	1	—	—	1
Assistants	3	3	1	1	1	2	4	—	1	3	2	—	21
Others	10	6	5	4	7	11	7	2	6	7	14	—	79
MEDICAL.													
Indians.—													
District officers	—	—	—	—	—	—	2	—	—	—	2	—	4
Assistants	—	—	1	1	—	2	—	—	—	2	1	—	7
Others	6	4	2	4	5	3	8	—	—	6	8	2	48
COLLIERY.													
Indians	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	11	—	—	—	5	16	32
MARINE AND MISCELLANEOUS.													
Indians	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	1	—	—	—	2	—	—	—	1	2	—	6

ABSTRACT.

	B.B. and C.I.	S.I.	N.G.S.	A.B.	Burma	M. and S.M	E.I.	R. and K.	B. and N.W.	B.N.	G.I.P.	State Managed	Total.
Total number of officers	171	87	59	59	104	133	219	16	49	165	221	466	1,749
Indians :—													
District officers	—	—	1	—	—	2	2	—	—	1	5	13	24
Assistants	13	7	8	6	3	9	30	—	2	19	6	55	158
Others	158	80	50	53	101	122	187	16	47	145	210	398	1,567
Percentage of Indians to total.	7·60	8·05	15 25	10·17	2·88	8·27	14·61	—	4·07	12·12	4·98	14·60	10·41

APPENDIX No. 3.

STATEMENT showing the amount paid to Railway Companies as guaranteed interest, the amount recovered from net receipts and the gain or loss to the State during the years 1858-59 to 1918-19.

Year.	Amount paid as Guaranteed Interest.	Amount recovered from Net Receipts	Balance—Gain or Loss to the State	
			Gain	Loss
	£	£	£	£
1858-59 - -	838,411	232,365	—	606,046
1859-60 - -	1,199,929	403,057	—	796,872
1860-61 - -	1,485,745	389,413	—	1,096,332
1861-62 - -	1,788,153	391,162	—	1,396,991
1862-63 - -	2,166,755	625,615	—	1,541,140
1863-64 - -	2,456,182	821,548	—	1,634,634
1864-65 - -	2,683,787	1,129,851	—	1,553,936
1865-66 - -	2,889,241	2,865,574	—	23,667
1866-67 - -	3,031,087	2,347,085	—	684,002
1867-68 - -	3,480,677	1,989,112	—	1,491,565
1868-69 - -	3,881,013	2,229,509	—	1,651,504
1869-70 - -	4,126,025	2,627,941	—	1,498,084
1870-71 - -	4,341,609	2,556,707	—	1,784,902
1871-72 - -	4,542,183	2,877,153	—	1,665,030
1872-73 - -	4,862,188	2,785,657	—	2,076,531
1873-74 - -	4,959,244	3,532 545	—	1,426,699
1874-75 - -	5,030,233	3,742,303	—	1,287,930
1875-76 - -	5,146,157	4,054,421	—	1,091,736
1876-77 - -	5,450,007	4,818,106	—	631,901
1877-78 - -	5,372,238	5,372,238	489,806	—
1878-79 - -	5,702,898	4,364,979	—	1,337,919
1879-80 - -	5,667,875	3,974,645	—	1,693,230
1880-81 - -	3,921,412	2,555,069	—	1,366,343
1881-82 - -	3,945,306	3,312,294	—	633,012
1882-83 - -	4,110,075	3,095,456	—	1,014,619
1883-84 - -	4,132,642	3,118,197	—	1,014,445
1884-85 - -	4,146,824	2,985,409	—	1,161,415
1885-86 - -	4,489,541	3,269,274	—	1,220,267
1886-87 - -	4,195,070	3,095,263	—	1,099,807
1887-88 - -	4,519,311	3,096,006	—	1,423,305
1888-89 - -	4,908,506	3,233,453	—	1,675,053
1889-90 - -	4,388,213	2,875,230	—	1,512,983
1890-91 - -	4,038,295	3,063,184	—	975,111
1891-92 - -	4,074,104	3,077,258	—	996,846
1892-93 - -	4,524,776	2,795,321	—	1,729,455
1893-94 - -	4,710,607	2,970,470	—	1,740,137
1894-95 - -	5,233,064	2,667,345	—	2,565,719
1895-96 - -	5,040,636	3,704,577	—	1,336,059
1896-97 -	4,812,377	3,206 830	—	1,605,547
1897-98 -	4,620,372	3,686,821	—	933,551
1898-99 - -	4,492,326	3,983,947	—	508,379
1899-00 -	3,036,047	2,991,444	—	44,603
1900-01 - -	2,532,430	2,532,430	498,027	—
1901-02 - -	2,094,174	2,094,174	371,406	—
1902-03 - -	2,205,707	2,205,707	187,392	—
1903-04 - -	2,270,018	2,270,018	442,192	—
1904-05 -	2,331,781	2,331,781	992,420	—
1905-06 - -	2,370,835	2,370,835	1,134,925	—
1906-07 - -	1,998,496	1,998,496	1,245,885	—
1907-08 - -	2,041,514	2,041,514	718,793	—
1908-09 - -	1,649,195	1,649,195	90,268	—
1909-10 - -	1,984,316	1,984,316	995,937	—
1910-11 - -	2,007,340	2,007,340	1,040,634	—
1911-12 - -	1,825,970	1,825,970	2,764,387	—
1912-13 - -	1,854,062	1,854,062	3,608,591	—
1913-14 - -	1,952,416	1,952,416	3,491,042	—
1914-15 - -	1,986,467	1,986,467	2,389,665	—
1915-16 - -	2,131,862	2,131,862	3,743,142	—
1916-17 - -	2,225,940	2,225,940	5,583,856	—
1917-18 - -	2,263,676	2,263,676	6,735,002	—
1918-19 - -	2,176,675	2,176,675	8,218,906	—
Total -	208,344,015	156,816,708	44,742,276	51,527,307
		Net loss - - -		6,785,031

APPENDIX No. 4.

List of Witnesses and Written Statements.

PART I.—WITNESSES WHO GAVE ORAL EVIDENCE.

Name.	Designation, &c.	Oral Evidence.				Written Statements.		
		Date.	Vol.	Page	Paragraphs.	Vol.	Page.	Statement No.
LONDON.								
Stantiall, W.	Secretary, Public Works Department, India Office.	12.11.1920	II.	2	1-250			
Denchars, G.	Government Director, Indian Railway Companies.	,,	II.	14	251-375	IV.	1	1
Kisch, C. H.	Deputy Secretary, Financial Department, India Office.	,,	II.	17	376-645			
Reid, Sir Marshall	——	15.11.1920	II.	40	646-815	IV.	4	2
Procter, Sir Henry	Killick, Nixon & Co., Bombay	,,	II.	46	816-1055	IV.	4	3
Cohen, L. L.	Director, B. and N W., R. and K. and D.U.K. Ry. Cos.	,,	II.	53	1056-1149	IV.	7	4
Gracey, Col. T.	,, ,,	,,	II.	57	1150-1341	IV.	8	5
Anderson, G. A.	Chairman, B.L. Ry. Co.; Director, B.N. and Burma Ry. Cos.	16.11.1920	II.	63	1342-1542	IV.	14	6
Wilson, D. C.								
Fighiera, F.	Secretary, Central Argentine Ry. Co.	,,	II.	70	1543-1658			
Huddleston, Lieut.-Col. G.	Chairman, N G.S. Ry. Co.; Managing Director, A.B. Ry. Co.	,,	II.	76	1659-1836			
Schooling, F.	Director, Prudential Assurance Co.	,,	II.	82	1837-1938			
Armstrong, Sir Charles.	Chairman, G.I P. Ry. Co.	17.11.1920	II	86	1939-2170	IV.	18	7
Muirhead, A.	Director, G.I.P. and S.I. Ry. Cos.							
Barbour, Sir David	Chairman, E.I Ry. Co.	,,	II.	94	2171-2341	IV.	21	8
Lawrence, Sir Walter.	Director, M. and S.M.; A.B. Ry. Cos., and of the Assam Railway and Trading Co.	18.11 1920	II.	100	2342-2617			
Rendel, J. M	Chairman, A.B. Ry. Co.; Director, S.P. and N.G.S Ry. Co.	,,	II.	108	2618-2737			
Huddleston, Lieut.-Col. G.	Managing Director, A.B. Ry. Co.							
Constable, Col. W. V.	Chairman, M and S.M. Ry. Co.; Director, B.B. and C.I. Ry. Co.	,,	II.	112	2738-2946	IV.	24	9
Robertson, Sir Donald	Deputy Chairman, M and S.M. Ry Co							
Miller, R.	Chairman, B.D. and B N. Ry. Cos.; Director, Burma Rys. Co.	,,	II.	120	2947-3084	IV.	29	10 & 10(a)
Shelley, Major A. D. G.	Chairman, B.B and C.I. Ry Co.	19.11.1920	II.	127	3085-3308	IV.	31	11
Bennett, T. J.	——							
Schuster, Sir Felix	Chairman, Union Bank	,,	II.	135	3309-3385			
Grazebrook, W. O	Gillanders, Arbuthnot & Co, Calcutta.	,,	II.	138	3386-3560			
Kimber, Sir Henry	Chairman, S.I. Ry. and the Calcutta Tramways Cos.	19.11.1920	II.	144	3562-3616			
Muirhead, A.	Director, S.I. and G.I.P. Ry. Cos.							
Glyn, Major R.	——	24.11.1920	II.	150	3617-3756			
Inchcape, Lord	——	,,	II	158	3757-3863			
CALCUTTA.								
Innes, C. A.	Secretary to the Government of India, Department of Commerce.	17.12.1920	V.	1	3864-3876			
Cameron, Col. H. A.	Agent, Eastern Bengal Railway	20.12.1920	III.	1	3877-3899	IV.	36	12
Sinclair, C. S. B.	Chief Auditor, Eastern Bengal Ry.	21.12.1920	III.	9	3953-3965			
Church, R. W.	Mining Engineer, Railway Board	20.12.1920	III.	4	3900-3905			
		,,	V.	3	3906-3913			
Legge, F. C.	Coal Transportation Officer, Railway Board.	,,	III.	5	3914-3925			
Greenham, L.	Chief Auditor, B.N. Ry.	21.12.1920	III.	6	3926-3952			
Bell, E. A. S.	Member, Railway Board	22.12.1920	V.	6	3966-3997			

Name.	Designation, &c.	Oral Evidence: Date.	Oral Evidence: Vol.	Oral Evidence: Page.	Oral Evidence: Paragraphs	Written Statements: Vol.	Written Statements: Page.	Written Statements: Statement No
CALCUTTA—*cont.*								
Bagley, F. R.	Chief Engineer, State Railways (*retired*).	23.12.1920	III.	10	3998–4036	IV.	38	13
Carr, A. C.	Acting Agent, B.N. Ry.							
Duncan, H. G.	Traffic Department (Transportation), B.N. Ry.							
Carroll, C.	Traffic Department (Commercial), B.N. Ry.	3.1.1921	III.	14	4037–4070	IV.	53	14
Taylor, W. O.	Chief Engineer, B.N. Ry.							
Wynne, Sir Trevredyn.	Managing Director, B.N. Ry. Co.	,,	III.	18	4071–4122	IV	55	15
Hindley, C. D. M.	Agent, E.I. Ry.	5.1.1921	III.	22	4123–4169	IV.	63	16
Sheridan, Col. P. C.	General Traffic Manager, E.I. Ry.	,,	III	28	4183–4197		78	16A
Purcell, E.	Rates Manager, E.I. Ry.	7.1.1921	III.	38	4297–4342			
Martin, O.	Martin & Co., Calcutta	5.1.1921	III.	27	4170–4182	IV.	97	17
Khaitan, Debi Prasad.	Marwari Association, Calcutta; and of Birla Bros., Calcutta.	6.1.1921	III	30	4198–4226	IV.	98 & 99.	18 & 19.
Godfrey, J. J.	McLeod & Co.	,,	III.	33	4227–4248	IV	102	20
Yeoman, H. F	Place, Siddons and Gough, Calcutta	,,	III.	35	4249–4274			
MacKenna, J.	Development Commissioner, Burma	7.1.1921	III.	37	4275–4296	IV.	103	21
Warren, Sir Norcot	Secretary and Treasurer, Bank of Bengal.	,,	III.	43	4343–4364			
Stuart-Williams, S. C.	Vice-Chairman, Calcutta Port Commissioners.	8.1.1921	III	46	4365–4398	IV.	105	22
Burns, W. A.	Traffic Manager, Calcutta Port Commissioners.							
Ghose, S. C.	—	8.1.1921 10.1.1921 11.1.1921	III III III.	49 52 57	4399–4409 4441–4454 4478–4504	IV	106	23
Pattinson, J. H.	Chairman, Indian Mining Association.	10.1.1921	III.	50	4410–4440	IV.	110	24
Sen, Bisweswar	Asst. Secretary, Bengal National Chamber of Commerce.	,,	III.	54	4455–4470	IV.	111	25
Walsh, C. P.	Secretary to the Government of Bengal, Public Works Department.	11.1.1921	III.	56	4471–4477			
Baxter, A. W.	Narayanganj Chamber of Commerce.	,,	III.	60	4505–4513	IV	113	26
Marshall, S. M.	Tata Iron and Steel Company							
Dods, A. W	Indian Iron and Steel Company							
Fairhurst, G. H.	,, ,,	12.1.1921	III.	61	4514–4519			
Bury, E.	Eastern Iron Company							
Martin, H. P.	Bengal Iron Company							
Chaudhury, K	East Indian Railway Passengers' Association.	13.1.1921	III	68	4520–4531	IV.	114	27
Ghosh, J. N.	Indian Mining Federation	,,	III.	69	4532–4552	IV	115	28
Choudhuri, N. M.	,, ,,							
Nolan, T. R.	Acting Agent, A.B. Ry.	,,	III.	71	4553–4574	IV	117	29
Cooper, A. J.	General Traffic Manager, A.B. Ry.							
Roy, Tarit Bhushan	Secretary, Bengal Mohajan Sabha	,,	III.	74	4575–4593	IV.	120	30
Peat, H. M.	Chairman, Indian Jute Mills Association	,,	III.	75	4594–4600	IV.	122	31
Watson-Smyth, R. M.	Vice-President, Bengal Chamber of Commerce.	14.1.1921	III.	76 89	4601–4636 4637–4661	IV.	124	32
Cochran, A.	Chairman Indian Engineering Association	,,	III.	84	4662–4674	IV.	127	33
MADRAS.								
Barnardiston, Lieut.-Col. E.	Secretary to the Government of Madras, Public Works Dept. (Railway Branch)	18.1.1921	III.	85	4675–4731	IV.	127 130	34 34A
Moir, T. E.	Late Director of Civil Supplies, Madras.	,,	III.	93	4732–4744			
Magniac, Lieut.-Col. C. L.	Agent, M. and S.M. Ry.	19.1.1921	III.	95	4745–4826	IV.	130	35
Wathen, F. B.	General Traffic Manager, M. and S.M. Ry.	26.1.1921	—	151	5111–5138			
Simpson, J. F.	Chairman, Madras Chamber of Commerce.							
Fraser, Sir Gordon	Member, Madras Chamber of Commerce.	20.1.1921	III.	103	4827–4872	IV.	139	36
Symonds, A. P.	Member, Madras Chamber of Commerce.							

Name.	Designation, &c.	Oral Evidence. Date.	Vol.	Page.	Paragraphs.	Written Statements. Vol.	Page.	Statement No.
MADRAS—*cont.*								
Saib, M. A. Ahmed Badsha.	Southern India Skin and Hides Merchants' Association.	20.1.1921	III.	108	4873–4892	IV.	140	37
Chetty, Sir P. Thyagaraya.	President, Southern India Chamber of Commerce.	21.1.1921	III.	109	4893–4923	IV.	141	38
Lamb, W. -	Deputy Secretary and Treasurer, Bank of Madras.	„	III.	114	4924–4939			
Ayyangar, C. Duraiswamy.	Madras Liberal League - -	22.1.1921	III.	116	4940–4965			
Rao, Dewan Bahadur M. Ramachandra.	President, District Board, Kistna.	22.1.1921 24.1.1921	III. —	118 126	4966–4979 5022–5057	IV.	143	39
Mitchell, H. H. G. -	Chairman, Madras Port Trust -	„	III.	121	4980–4998	IV.	147	40
Iyengar, K. Parthasarathy.	Railway Passengers' Association, Madras.	„	III.	124	4999–5021	IV.	147	41
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Setalvad, Sir Chimanlal.	Member, Executive Council, Bombay - - -							
Dalal, Dadiba Merwanjee.	Merwanjee and Sons, Bombay -	"	V.	10	5661–5678			
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Hussein, Hidayatullah Ghulam.	Minister of H.E the Governor of Bombay - - -	"	III.	225	5679–5697			
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